

U.S. DEPARTMENT OF THE TREASURY

Transcript of Press Conference from Secretary of the Treasury Janet L. Yellen in Bengaluru, India

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As Prepared for Delivery

Good afternoon, everyone. Thanks for being here. I'm looking forward to a productive set of meetings in Bengaluru over the next couple of days.

I'd first like to thank Finance Minister Nirmala Sitharaman for her leadership of the G20 during India's presidency.

Tomorrow is the one-year mark of Russia's illegal and unjustified full-scale invasion of Ukraine. So today, I'd like to start by speaking on Russia's war. Then, I'll turn to progress we've made on the global economy, as well as our work on longer-term challenges.

A. RUSSIA'S ILLEGAL AND UNJUSTIFIED WAR AGAINST UKRAINE

When Vladimir Putin launched his brutal assault one year ago, some believed that Russia would secure a quick and decisive victory over Kyiv. Putin himself thought that he would achieve a victory "at minimal cost," in the words of CIA director Bill Burns. One year later, Putin's war has been a strategic failure for the Kremlin. Ukraine still stands. And NATO and our global coalition stand united behind it.

Ukraine has mounted a heroic resistance. We have seen the bravery of the Ukrainian military on the battlefield. We have seen the steady hand of Ukraine's economic and finance officials. They have fought to preserve Ukraine's economic and financial stability under extraordinary circumstances. And of course, we have seen the strength of the Ukrainian people. They are standing strong amid a terrible war.

The United States and our allies are proud to support the Ukrainian people's fight for freedom. The United States has provided over \$46 billion in security, economic, and humanitarian assistance to Ukraine. Our military assistance includes key defensive weapons that Ukraine has asked for – such as the Patriot missile defense system. And our economic

assistance is making Ukraine's resistance possible by supporting the home front: funding critical public services and helping keep the government running. In the coming months, we expect to provide around \$10 billion in additional economic support for Ukraine.

Since the early days of the war, we have partnered with a multilateral coalition of over 30 countries to impose severe economic costs on Russia for its brutal assault. Our twin goals are to degrade Russia's military-industrial complex and reduce the revenues that it can use to fund its war. We are seeing the impacts of these actions. The Russian military is struggling to replace over 9,000 pieces of heavy military equipment that it has lost since February 2022. It has suffered production shut-downs at key defense-industrial facilities. Further, Russia's economy has become increasingly isolated. Estimates indicate that nearly a million Russians may have left the country last year. This is putting downward pressure on its productive capacity going forward.

As President Biden has said, we will stand with Ukraine in its fight – for as long as it takes. We commend our allies for stepping up their direct assistance. And we believe it's critical that the IMF move swiftly toward a fully financed program for Ukraine – as they have said they will do. Continued, robust support for Ukraine will be a major topic of discussion during my time here in India.

B. PROGRESS ON MACROECONOMY AND MITIGATING SPILLOVERS FROM RUSSIA'S WAR ON UKRAINE

Over the next couple of days, I also look forward to working with my counterparts to advance work on the global macroeconomy.

While there are significant headwinds, it's fair to say that the global economy is in a better place today than many predicted just a few months ago. In the fall, many were worried about a sharp economic slowdown across the world. The challenges we face are real, and the future is always uncertain. But the outlook has improved since we gathered in the fall. In its most recent estimates, the IMF forecasts global growth of 3.2 percent during 2023 – a notable upgrade from its October report.

In the United States, our economy remains resilient. Year-on-year headline inflation has moderated over the past few months – as supply chain pressures have eased and global imbalances have subsided. At the same time, our labor market remains strong. In January, U.S. unemployment hit a low not seen in over a half-century.

The progress on our global macroeconomy is a result of our collective work. And it underscores the importance of redoubling our efforts going forward.

Forums like the G20 are important venues for macroeconomic cooperation. During our meetings last fall, there was a shared view among my counterparts that we must take decisive action on the challenges that we face in our own countries. That includes combatting high inflation where it exists. It was also important to us to be attentive to the spillovers of macroeconomic tightening from major economies to the rest of the world. While there's much more work to do, we are beginning to see lower headline inflation around the globe. In emerging markets, financial conditions remain relatively tight, but have begun to show signs of easing. At the same time, we know that a number of vulnerable countries continue to face acute distress. We are not out of the woods yet. So, I am looking forward to the opportunity this week to continue our close communication with other major economies.

Our progress has also been made possible through our actions to mitigate spillovers from Russia's war on Ukraine. Vladimir Putin's immoral war has exacerbated the stress on our food systems. Since last year, the United States has committed more than \$13 billion in humanitarian and food security assistance. We have also rallied international financial institutions to implement a robust Action Plan to Address Food Insecurity. Further, we have worked with countries to avoid export restrictions and enable food to flow more freely – including through the Black Sea Grain Initiative. This life-saving initiative has improved supply and lowered prices. It must be extended past March. More work will be done this year at the G20 on these food security challenges. I believe this work cannot come soon enough.

Another focus has been global energy markets. In December, the United States and our coalition implemented a cap on the price of Russian crude oil. And earlier this month, we placed caps on the prices of Russian refined products like diesel and fuel oil. So far, we see clear signs that our policy is working to reduce Russian revenues and stabilize global energy markets. Even as global oil prices have remained relatively stable over the past few months, Russian oil prices have fallen substantially. Last month, the Kremlin's oil revenue was nearly 60 percent lower than in the immediate aftermath of the invasion. We have continued to see emerging markets negotiate steep discounts on Russian oil – which keeps oil on the global market but sharply reduces the Kremlin's take.

C. TACKLING LONGER-TERM CHALLENGES AND BUILDING A STRONGER GLOBAL ECONOMY

Over the next two days, I also look forward to continuing the G20's work to build a stronger and more resilient global economy. This includes advancing work on debt, climate change, and the evolution of the multilateral development banks.

First, we need to work together to ease the debt overhang that is holding back too many countries. The IMF estimates that around 55 percent of low-income countries are close to or in debt distress. I will continue to push for all bilateral official creditors, including China, to participate in meaningful debt treatments for developing countries and emerging markets in distress. Most urgent is the need to provide debt treatment to Zambia, and to commit to specific and credible financing assurances for Sri Lanka. Later this week, I am also looking forward to robust discussions about the Common Framework process to help countries like Ghana. I will also be discussing international coordination on debt restructuring for middle-income countries.

Second, we must unlock more investments for the clean energy transition. The United States is making a historic investment in our own transition through the Inflation Reduction Act. This law will have positive spillovers for other countries. This includes reducing the costs of clean energy technologies. During the upcoming meetings, I am eager to continue working with our partners as co-chair of the Sustainable Finance Working Group. Our goal is to accelerate the transition to a net-zero economy, particularly by boosting private capital flows.

Third, we look forward to accelerating our momentum for the evolution of the multilateral development banks. Four months ago, I called for the evolution of the MDB system ahead of the World Bank and IMF Annual Meetings. The MDBs have made tremendous progress in advancing poverty alleviation and inclusive development. But it's critical that they integrate work on global challenges into their core mission to sustain progress on these priorities. We are in the process of working with shareholders and management to evolve the World Bank. Over the next couple of days, I will be discussing how the G20 can build on the momentum at the World Bank for ambitious reforms. I'll also discuss how we can accelerate the evolution of the regional development banks.

Of course, I want to thank David Malpass for his service as President of the World Bank and his commitment to a smooth transition. Under his leadership, the Bank has measurably improved the lives of people around the world.

I'm looking forward to productive meetings over the next two days. There's a lot to do. With that, I will take your questions.

Q & A

Q: Thanks very much Secretary Yellen. Alan Rappeport with the New York Times. Treasury has expressed concern about China's deepening ties with Russia and also about it obstructing debt restructuring efforts. What is your message to China on these issues? And do you believe China is committed to stabilizing the economic relationship with the United States?

Secretary Yellen: So, let me say with respect to sanctions and aid to Russia, we have made clear that providing material support to Russia or assistance with any type of systemic sanctions evasion would be a very serious concern to us. And, we will certainly continue to make clear to the Chinese government and to companies and banks in their jurisdiction about what the rules are regarding our sanctions and the serious consequences they would face for violating them. Beyond that, I really don't want to characterize U.S. intelligence with respect to sanctions violations. But with respect to debt, I am hopeful that China will be constructive and understand the need of countries, like Zambia, that I visited recently and saw how significant a barrier to economic progress the debt overhang that Zambia faces. It's something that's preventing economic reforms from us stimulating growth in a country that has put significant reforms into place and is ready to see greater investment, private investment take place. So, I think it's important for China to cooperate. Sri Lanka is also a country of concern where China plays a significant role and needs to come to the table. The conversations that I've had with my Chinese counterparts have been constructive and I'm hopeful that we will see progress in China in the coming months, but it is very important.

Q: Hi, thanks Secretary. Yesterday, the World Bank announced that it is starting to take nominations today for the next President of the World Bank. One of the criteria they laid out was they would like to see applications from women candidates, and I'm just wondering sort of what your plans are for nominating? Do you expect to put someone forward today? Do you think it's time for a woman to lead the World Bank? And please feel free to share a name with us.

Secretary Yellen: Well, thanks for that question, Dave. We appreciate the opening of nominations by the World Bank Executive Board. And, we believe it's important that there be a transparent merit based and swift nomination process for the next World Bank President. We intend to put forward a candidate to lead the World Bank. Someone that we think meets the strong qualifications that are necessary to lead the World Bank and will be committed to the kind of reform process that we want the bank engaged in. Someone who shares a commitment to the bank's long-standing work to fight extreme poverty and promote

prosperity and will also want to take addressing the global challenges like preparing for future pandemics and addressing climate change. So, beyond that, we intend to quickly put forward a well-qualified candidate and I don't have any updates for you on who that will be. Stay tuned.

Q: Viktoria Dendrinou from Bloomberg. You mentioned Ukraine and how support for Ukraine is going to feature strongly in your discussions. I was just wondering if you could talk to us a bit about more concrete deliverables that you expect to get from these discussions. Like in terms of more financial aid, a joint communique, or maybe details on the size and timing of an IMF program and maybe how optimistic you are about any and all of these things.

Secretary Yellen: Well, I believe the communique is still under discussion. Certainly, we would like to see a strong condemnation of the impact the war has had on Ukraine and on the global economic outlook. It's one of the most significant factors that is reducing growth in causing very negative spillovers, especially for low-income countries. We very much want to see the IMF negotiate an agreement to lend to Ukraine. The managing director has been clear that's a goal that she has to negotiate a full program by the end of March. And it's something we will emphasize in our discussions this week that we think is extremely important. Of course, in meetings in which Russia participates in the G20, I've always expressed my own and the U.S. point of view that Russia's behavior is not only a clear violation of international law in an unprovoked really hostility. But, that it's one of the leading factors shaping the global outlook, with respect to food with respect to energy, and harming the global look generally. And that's certainly something that I will emphasize in our meetings here and I'm sure that other countries will as well.

Q: Hey, I just want to ask given that Russia has withdrawn from the nuclear treaty as well now, can we expect further sanctions from the U.S. against Russia? And also, given that the G20 Presidency and some other member countries are still neutral with regards to the Russian invasion of Ukraine, could you maybe shed some light on how negotiations about taking a stronger position as the G20 against the war that is going on?

Secretary Yellen: Well, with respect to the communique, I would say that that's still under negotiation. But the G20 communique that was issued in Bali contained strong language on this, and the Leader's communique contained equally strong language. So, if this has been achievable in the context of G20 negotiations. You asked about sanctions, and we have ongoing work on sanctions. Working with our partners, we are seeking to strengthen sanctions and to make sure that we address violations of sanctions. And, clearly the Russians

are looking for ways and routes to backfill. We've deprived them of many channels through which they can obtain the materials that are critical for their defense efforts. And they're looking clearly to backfill to obtain that, and that's a particular focus that we have in mind. Both with respect to enforcement and perhaps with respect to further sanctions.

Q: Good afternoon, Western countries have already imposed tough sanctions on Russia. The Russian economy is still in relatively good shape, partly because of Western efforts are being undermined by China and India buying Russian oil and weapons. So, my question is, what more can be done and what is your message here in India? Thank you.

Secretary Yellen: So, I think the way I see it our sanctions have had a very significant negative effect on Russia so far. While by some measures the Russian economy has held up better than might initially have been expected, Russia's now running a significant budget deficit. It's finding it extremely difficult because of our sanctions in our export controls to obtain the material that it needs to replenish its munitions. For example, repair over 9000 tanks that have been destroyed because of the war. We see that it's led to an exodus of some of the most qualified scientists and entrepreneurs in the Russian economy - an exodus of foreign investment. Russia is running down its holdings in its sovereign wealth fund. So, the price cap that we've put on a Russian oil is clearly substantially reducing Russia's revenues. Russia's revenues are down in January almost 50% from where they were a year ago. So, Russia is suffering in terms of its budget, and its ability to acquire what it needs. And, we will continue to impose further sanctions. We're working with our allies to continue to degrade Russia's ability to fight this unjust war.

Q: Good afternoon, Secretary Yellen. China has been selling continuously it's U.S. Treasury holdings. Now, the holdings stand at a 12-year low. China on its part is saying that it wants to keep the lines of communication open with the Treasury to discuss economic issues. Is that happening and what are the issues that you're open to discussing?

Secretary Yellen: So, in their joint meeting, President Biden and President Xi agreed strongly that communication between our two countries is necessary and desirable. Just in terms of our own relationship, but more broadly, for the sake of the entire globe. And that there are many areas where we need to cooperate, to work together to address global challenges. I have had a meeting with my Chinese counterpart that was constructive. One area where we have traditionally communicated, and that remains important to communicate concerns of the macroeconomic and financial situation in our own countries and in the global economy more generally. And we've done that, and I believe we will resume it at an appropriate time for

those discussions and continue that. In addition to that, on matters like food security, debt, climate change these are role matters of global significance, where we do have the ability to cooperate. We will resume I certainly expect that we will resume discussions with the name of doing that. I don't have a specific timeframe in mind for doing that, but I believe it's important to do so when I've certainly am open to having those conversations.