As Prepared for Delivery

A little more than a year ago, my friend, close professional collaborator, and co-panelist today, Assistant Secretary Thea Kendler, and I were on an urgent tour in Europe sounding an alarm about what the United States believed Russia was about to do—invade Ukraine. We spoke with our counterparts about the truly dramatic export controls and financial sanctions we would put in place to respond. As you all know, Russia launched that war, and we responded—as we said we would—with over 30 countries implementing the most comprehensive, multilateral, and complex economic pressure measures in history.

When the war started, many observers—and Putin himself—thought Kyiv would fall within days. Yet, one year later—thanks to the bravery of the Ukrainian people and armed forces, and the support of our coalition—Ukraine perseveres in the fight and Kyiv remains free.

Our sanctions have played an important part in this very broad effort. From the beginning, they have been designed to constrain the wealth and weapons available to Putin to fight his war—and to do so in a way that minimizes the harm to our own economy.

Already, we have issued over 2,500 sanctions listings, including massive state enterprises such as Rostec, the cornerstone of Russia’s defense-industrial base, and Mikron, Russia’s largest microelectronics manufacturer and exporter. We have locked down half its foreign exchange reserves, its largest banks, and constrained how it can earn and spend hard currency.

At the start of the war, Russia’s sovereign wealth fund contained $175 billion in liquid assets. Russia has extraordinarily and unsustainably been burning through its fiscal buffers, including 15% of that fund last year. This will cause powerful and long-term harm to its economy. Last year, rather than its forecasted budget surplus, Russia suffered a budget deficit of $47 billion dollars, or 2.3 percent of its GDP. Further, Russia’s financial situation will get worse due to declining oil revenue, due in part to the recent implementation of a price cap on Russian oil.
and petroleum products—the result of months of intense effort on the part of my office at Treasury and many, many others throughout our government and a G7+ coalition. This is having its intended effect: according to the Russian Ministry of Finance itself, Moscow’s oil revenues in January 2023 were nearly 60 percent lower than March 2022.

But Russia will look for ways to work around our measures. The coming year will be about ensuring that our sanctions architecture is fully enforced and effective—in particular, by figuring out and cracking down on the ways Russia evades sanctions. Furthermore, we will deploy new and novel ways of complementing trade controls with financial constraints to shut down the evasion and shadowy economic activity Russia seeks to sustain its war efforts.

We are specifically concerned about increases in trade with Russia in the kind of goods that can be used on the battlefield and those who are aiding designated Russian entities. We are investigating this type of assistance at the individual, firm, and sector level. We will engage companies, banks, regulators, and service providers in a series of jurisdictions we assess are wittingly or unwittingly providing assistance to Russia. This is a broad campaign on which we are working closely with allies and partners.

To give you an example from one country of focus for us: we are concerned that between July and November of 2022 United Arab Emirates (UAE) companies exported over $18 million worth of goods to U.S.-designated Russian entities. Also, between June and November of 2022, UAE companies exported over $5 million worth of U.S.-origin, U.S.-export controlled goods to Russia, including but not limited to semiconductor devices, some of which can be used on the battlefield.

These types of figures are the basis for our engagement with the private sector, so that we can clarify the consequences of violating sanctions and export controls, discuss high-risk activity, and act when necessary.

Specifically, we have implemented over 100 sanctions for evasion networks across many jurisdictions—but this is about more than designations. This is about making the choice clear to companies and banks: you can do business with the countries that constitute more than 50 percent of the world’s GDP, and its most convertible and stable currencies, or do business with those who facilitate Russia’s war.

Governments of our coalition partners are also making the point that the cost of doing business with Russia in violation of our policies is a steep one, and companies and financial institutions should not wait for their governments to make the decision for them.