U.S. DEPARTMENT OF THE TREASURY

Remarks by Assistant Secretary Elizabeth Rosenberg at the Center for Strategic and International Studies

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As Prepared for Delivery

Thank you for inviting me here to discuss the state of our sanctions against Russia in response to its unjustified invasion of Ukraine. I put a lot of value in having these frank discussions, particularly among partners and allies, in order to inform and adapt our thinking to match the evolving behavior of our adversaries. Very rarely do we achieve all our goals at once, and all of us here have a slightly different vantage point that can help identify the best way forward.

Today, I want to quickly take stock of our actions to date; measure them against our original and sustaining goals; and discuss what we are learning and how that informs where we are going next.

When I spoke at this forum last year, I sought to answer the questions: “are sanctions working?” and “what is your goal?” At the time, I stated “the immediate and wholesale collapse of the Russian economy was never our goal.” Rather, I referenced President Biden’s speech immediately after the invasion and said our goal was to “‘…squeeze Russia’s access to finance and technology for strategic sectors of its economy and degrade its industrial capacity’ and specifically its military.” That goal remains the same. The objective of our sanctions regime is to degrade Russia’s ability to fund and wage its invasion of a sovereign nation. And against the goal—to degrade Russia’s ability to fund and wage its war—we are seeing meaningful success.

Since Russia’s invasion into Ukraine, the U.S. Department of the Treasury has sanctioned over 2,500 Russia-related targets, and over 80 percent of Russia’s banking sector by assets is under U.S. sanctions—including the top 10 Russian-owned banks. We have also worked with our international partners through the Russian Elites, Proxies, and Oligarchs (REPO) Task Force to block or freeze tens of billions of dollars’ worth of sanctioned Russians’ assets. Our actions have spread across over 40 jurisdictions, showing the sheer scale of Russia’s financial links abroad.

We also implemented a price cap on the maritime transport of Russian oil and refined products, a first-of-its-kind policy aimed at curbing Russia's revenue while also stabilizing global energy prices. This policy in conjunction with international import bans has been a major success at steadying global energy prices while also depriving Russia of earnings from its main source of external revenue. According to the Russian Ministry of Finance, federal government oil revenues in January and February 2023 were more than 40 percent lower than a year prior, while supplies held steady and prices drifted down.

President Putin himself, as well as his Finance Minister and his Central Bank, have all observed that our sanctions are having a significant impact on the Russian economy. Our targeting of Russia's financial sector and revenue generators like energy, are forcing choices of desperation as the government tries to spend its way out of crisis and burns through its fiscal buffers. Since its invasion, Russia's fiscal budget had a deficit of $47 billion and its National Wealth Fund shrank by almost $30 billion since the start of its war. And we continue to see unsustainable redirection of state spending in Russia's security sector at the cost of its civilian economy to make up for losing 9,000 pieces of military equipment, forced production shutdown at key defense facilities, and shortages of essential components for tanks and aircraft production, including munitions.

This rapid pace and the press of our sanctions will continue so long as Russia chooses to wage war in Ukraine. Last week, we designated a Slovakian national involved in facilitating arms deals between Russia and North Korea. Not only was the conduct sanctionable, but it was also in violation of multiple UN Security Council Resolutions that prohibit dealing in arms with North Korea. Russia, a country that was once a major arms exporter in the world, is now forced to turn to international pariahs to support its military.

A really important question at this point is: what are we learning? For me, there are three key takeaways since we started our international sanctions efforts.

The first is engage widely and deeply. The reason we have had such a powerful impact on Russia through economic measures is because of our broad coalition and willingness to coordinate. While the UK and EU have been critical partners, others such as Japan and Australia have stepped up in this international effort. I look forward to Japan's continued leadership in chairing the G7 this year. However, this engagement extends beyond traditional partners to include outreach to countries like India and Türkiye, to explain what we are doing, why we are doing it, and how to not run afoul of our economic actions. We have also found ways to directly engage China around certain key messages.

Additionally, engagement must include the global private sector to best tailor sanctions that maximize impact and minimize negative externalities. The price cap policy, for example, would not have been possible without numerous consultations with the financial, energy, insurance, and shipping sectors. At the end of the day, it is not government actors but rather the private sector that is the front line of sanctions implementation. It is imperative to get their insights to inform our decisions or else we risk creating an unenforceable policy or unforeseen consequences.

The second lesson is that we all have domestic vulnerabilities to address. The invasion has put into sharp focus what has been happening for years—bad actors abuse weaknesses and loopholes in our financial systems—the biggest and, ironically, most rules-based financial systems—to hide and move money. We don't need to look any further than Delaware, where, until recently, two designated Russians held an interest in a billion-dollar trust. This is why the United States is so focused on closing these gaps through transparency measures and why Treasury Secretary Yellen announced last week the Summit for Democracy Commitment on Beneficial Ownership and Misuse of Legal Persons.

Lastly, we must internalize that tough measures such as economic sanctions are only one side of the equation. While our role is to impede the Russian war machine, there is an equally important role that others play to work on the financing and reconstruction of Ukraine. There are also countries and jurisdictions wanting to do the right thing and abide by our sanctions and norms, but lack the technical capacity to do the requisite monitoring and enforcement to disrupt Russian money laundering and sanctions evasion activities. This, too, requires a different approach than just more sanctions.

These are just three of the many lessons we are all learning as we continue to respond to Russia's invasion of Ukraine, and I look forward to hearing about what lessons you are learning and how they apply to our work going forward.

Thank you.