Remarks by Secretary of the Treasury Janet L. Yellen at Press Conference in Niigata, Japan

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As Prepared for Delivery

Thank you for joining me today.

I. DEBT LIMIT

Before we start, I'd like to briefly speak about a topic that is top of mind for many of us right now: the U.S. debt limit.

Earlier this month, I told the U.S. Congress that our best estimate is that the United States government will be unable to continue to satisfy all of its obligations by early June – and potentially as early as June 1 – if Congress does not address the debt limit before that time. That projection underscores the urgent need for Congress to act as soon as possible.

In my assessment – and that of economists across the board – a default on U.S. obligations would produce an economic and financial catastrophe. Millions of Americans could lose their jobs. Household incomes would be reduced. American businesses would see credit markets deteriorate. And millions of American families that receive government payments would likely be left without the resources that they were promised. This would make it dramatically harder for households to spend and businesses to invest. A default would threaten the gains that we've worked so hard to make over the past few years in our pandemic recovery. And it would spark a global downturn that would set us back much further. It would also risk undermining U.S. global economic leadership and raise questions about our ability to defend our national security interests.

Short of a default, brinksmanship over the debt limit can also impose serious economic costs. We know this from recent history. As we learned in 2011, just the serious threat of default can lead to a downgrade of our credit rating and a weakening of consumer confidence. We could see a rise in interest rates drive up payments on mortgages, auto loans, and credit cards. We are already seeing spikes in interest rates for debt due around the date that the debt limit may bind.

There is no good reason to generate a crisis of our own making. The U.S. Congress has raised or suspended the debt limit about 80 times since 1960. I urge it to act quickly to do so once again.

II. G7 PRIORITIES

Let me now turn to our work at the G7. I'd first like to thank Finance Minister Suzuki and his team for hosting the G7 Ministerial. And thank you to Japan for its leadership of our group this year.

There are many issues that we will work on this week. But today, I would like to highlight three of my core priorities. The first is the global macroeconomy. We are taking a broad range of individual and joint actions to bring down inflation, sustain growth, and help mitigate the impact of external shocks, including to developing countries. The second is to redouble our commitment to support Ukraine as it defends itself against Russia. And the third is our longer-term work to bolster economic resilience and security.

As we advance these priorities, I look forward to working not only with my colleagues from the G7 – but those from several non-G7 partners that are here this week, including developing countries and emerging markets. We all have shared goals. I look forward to productive discussions about how we can better deliver for all.

Global Economy

First, even as we face downside risks, I believe that the global economy remains in a better place than many predicted six months ago. In most G7 countries – including the United States – annual headline inflation has fallen in recent months. And the growth outlook for the global economy is better than it was in the fall. In the United States, we have taken decisive action to tackle elevated inflation and strengthen confidence in the banking system, while also enacting a trifecta of historic legislation to raise our long-term growth potential. Other countries have taken actions to address their near-term challenges as well. We encourage our partners to make long-term investments in their productivity and in combating climate change. When we strengthen our own economies, we strengthen the global economy as well.

But we need to do more. It's important that we take concerted actions to improve the economic outlook for the entire world – particularly in developing countries. That's why we will coordinate on our efforts to push hard for timely and comprehensive debt treatments for countries in debt distress. And it's why we have worked hard to take joint actions to lower food and energy costs during a volatile period. Many of these actions have had the largest impact on the poorest countries.

Of course, we remain attuned to economic headwinds and downside risks. The world was still recovering from the pandemic when Russia began its illegal full-scale war against Ukraine. These shocks continue to impose significant costs on the global economy. Further, markets are seeing the possibility of a U.S. debt limit breach as a growing downside risk.

I will continue to work with my counterparts on ways to strengthen the global economy over the next few days – and beyond.

Russia's Illegal War Against Ukraine

Second, I look forward to coordinating with other G7 members to support Ukraine and degrade Russia's ability to wage war. When the G7 finance ministers gathered together last spring, Russia's full-scale war against Ukraine was less than three months old. Now, the war is approaching its 450th day. Since Day One, our countries have stood united to support the Ukrainian people as they have mounted a fierce resistance.

The United States is proud to have provided significant economic, security, and humanitarian assistance to Ukraine. And we are just as proud to be part of a broad coalition that has stepped up to assist Ukraine in its moment of need. We are pleased that the IMF's program for Ukraine will provide critical financing for the country while putting it on a path of macroeconomic stabilization and future recovery. The program will bolster President Zelenskyy's commitment to accountability and good governance. And it will help Ukraine's economic officials provide a steady hand for its economy and reform agenda in the coming months and years.

We are also continuing to lead a multilateral coalition of over 30 countries to impose heavy economic costs on Russia for its war. Over the past year, our campaign has systematically degraded Russia's military-industrial complex and helped reduce the revenues that Russia can use to fund its war. Because these sanctions are having an impact, Russia is trying to get around them. This year, a central piece of our strategy is to take further actions to disrupt Russia's attempts to evade our sanctions. Our three-pronged approach involves improving information sharing and coordination among our allies and partners; putting pressure on companies and jurisdictions that we know are allowing or facilitating evasion; and identifying and shutting down specific channels used by Russia to equip and fund its military. We have taken a wave of actions in the past few months to crack down on evasion. And my team has traveled around the world to intensify this work.

Our innovative policies to support Ukraine extend to our joint efforts to restrict Russian oil export revenues. Last May, the G7 finance ministers discussed the price cap policy for the first time. Our goals were two-fold: to reduce revenues for the Kremlin while helping stabilize global energy markets. A few months into its implementation, we see clear signs that the price cap is working. The Russian government's oil revenues from January through March of this year were over 40 percent lower than a year prior. And importantly, global oil markets have remained relatively stable since the imposition of the crude oil cap last December. In short, the price cap has helped stabilize the global economy just as it has hurt Russia's ability to wage its illegal war. Members of the price cap coalition are committed to prohibiting or phasing out imports of Russian oil. But we continue to urge developing countries to save on their oil costs by taking advantage of the price cap to negotiate steep bargains on Russian oil.

As I've said before, we will stand with Ukraine for as long as it takes.

Economic Resilience and Security

Third, I will work with my counterparts on our longer-term initiative to build greater economic resilience and bolster economic security. Our goal is not only to enhance resilience for ourselves. It is also to build resilience for our allies and partners – including developing countries around the world.

We are advancing important work to build reliable and secure critical supply chains. This is part of an effort that I have called "friendshoring." We also believe that our supply-chain diversification efforts can open up more trade and investment opportunities for developing countries that have traditionally only had limited footprints in global supply chains. During the upcoming G7 meetings, I am looking forward to discussing ways to partner with developing countries to help them better integrate into global trade – in a way that moves countries away from solely extractive industries into activities that provide greater support for the domestic economy and employment. This work will build on the investments already underway through the G7's Partnership for Global Infrastructure and Investment. Our partnership is already helping bolster global supply chains by mobilizing private capital toward infrastructure projects in developing countries. We also look forward to building on our work with about a dozen countries through the Indo-Pacific Economic Framework that was launched this time last year in Japan.

The G7 will also advance our work to mitigate geostrategic risks in our economies. As I said in a speech last month, the United States has a broad suite of tools to mitigate risks to our national security. And we will take narrowly targeted actions when necessary. We are looking forward to working with the G7 to effectively counter economic coercion, which is a key focus of Japan's presidency.

We also know that many of the threats to economic resilience are coming from the global challenges that we all face. Since last fall, the United States has worked with shareholders to evolve the multilateral development banks to better combat 21st century global challenges. Transboundary challenges like climate change, pandemics, and fragility and conflict are disproportionately impacting the most vulnerable among us. We are accelerating the momentum for our evolution initiative and aim to adopt a rolling set of World Bank reforms over the coming months. These G7 meetings present us with an opportunity to coordinate our collaboration with and support for lower-income countries.

With that, I will take your questions.

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