

# U.S. DEPARTMENT OF THE TREASURY

## Remarks by Assistant Secretary for Terrorist Financing and Financial Crimes Elizabeth Rosenberg at Program on International Financial Systems (PIFS) U.S. – Europe Symposium in Frankfurt, Germany

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Thanks, Stefan, for having me here today.

The topic today is “the implications of sanctions against Russian.” If by that you mean to ask: “What have been the economic effects? Are they working?” The answer is a clear yes—Russian officials, from their Central Bank, to their Finance Ministry, to President Putin himself, have openly acknowledged as much. In the first two months of 2023, Russia ran a deficit of \$37 billion dollars, more than 94% of their entire planned deficit for the calendar year. The banking sector experienced a 90% decline in net profit year-on-year in 2022, and in April 2023 Russia’s tax revenue from its core commodity, oil, was 67% lower than it was in April 2022 following the invasion. The Russian economy continues to struggle, and we are therefore delivering on our goal of diminishing Moscow’s ability to draw on its resources to support its unjust war in Ukraine.

But those aren’t the impacts I want to focus on today. Instead, I want to zero in on how the Russia-related sanctions regime has fundamentally reshaped the way the U.S., Europe, and our other global partners design and implement economic measures to advance security interests. I’ll outline three big-picture aspects: 1) the importance of multilateralism; 2) the shift toward counter evasion efforts; and 3) the use of economic measures to target third countries.

### **1. THE IMPORTANCE OF MULTILATERALISM**

First, the importance of multilateralism. As a starting point for this discussion, we should recognize that the Russian sanctions program is an unprecedentedly multilateral effort.

Russia has a major, commodities-based, deeply interconnected, global economy. Acting multilaterally there are fewer places for illicit Russian finances to hide and goods to flow. Likewise, as a compliance matter, we know—and I’m sure my private sector colleagues here will agree—that sanctions are most effective when they are harmonized across jurisdictions. The more we can bring our designations in line with those of our partners and allies the easier it is for our industry

partners to do the front-line work of compliance. Already, there's a broad swath of designations on which the US, the UK, and the EU, and others, are completely aligned. And we are constantly working with our closest allies to see where they might be able to match something we've designated and they haven't, or vice versa. While we should not expect a perfect overlap, we've achieved a remarkable degree of consistency so far, and we'll continue to work to achieve even more going forward.

## 2. **THE SHIFT TOWARDS COUNTER-EVASION**

Second, I want to give you a sense of where we are, sequence-wise, in this financial fight to undermine Russia's ability to wage its war. The first year of the war saw a coalition of the G7 and others building out literally thousands of new designations and trade restrictions, as well as the design of novel sanctions regimes like the oil price cap. That sort of work will continue. However, at this point in the war and with the broad sanctions regime already in place, we are mounting a major counter-evasion campaign. We are figuring out what Russia is doing to evade our sanctions and export controls—which they will always try to do—and engaging the right partners, making the right information available, and taking the right actions as allies, to frustrate and disrupt Russia's efforts.

In the United States, the Department of the Treasury is partnering closely with the Department of Commerce to impede the flow of the most critical items to Russia—mostly electronic integrated circuits and other components—that are critical inputs in Russian missiles, drones, and other sophisticated weaponry used to kill Ukrainian soldiers and civilians. We're focused on disruption in jurisdictions where we've seen dramatic increases in trade with Russia since the 2022 invasion, including countries in Russia's near-abroad and in the Middle East.

The week before last, I traveled with my colleague from the Department of Commerce, Assistant Secretary Matt Axelrod, to Kazakhstan and Kyrgyzstan, to make sure those countries understand our sanctions and export controls and are positioned to work with us to constrict the flow of military and dual-use goods to Russia and the front in Ukraine. To my earlier point about multilateralism, our finance and trade control colleagues from the UK and the EU were there with us, delivering the same messages. This same set of allies has also visited the Caucasus, Turkey, and the UAE with the same serious and specific message. This is an unprecedented campaign that has drawn efforts from our international coalition of allies—and it's a good reflection of our collective, current priorities.

## 3. **ECONOMIC PRESSURE MEASURES IN THIRD COUNTRIES**

This brings me to my final point. Historically, in interacting with foreign counterparts, I have encountered apprehension targeting companies and individuals in third countries helping Russia procure defense-related goods or technology from afar. My message today is that this sentiment misses the problem at hand, or worse, enables it. The multilateral nature of our effort, and the work of disrupting Russia's defense procurement broadly, necessitate that we—the coalition of responsible nations engaged in the Russia sanctions regime—understand and address the ways that Russia seeks to circumvent and dodge our efforts, often taking advantage of third countries that claim neutrality or nonalignment.

You may be following efforts in Brussels to develop and refine authorities to target those outside the EU who are helping to circumvent or undermine the impact of sanctions on Russia. They have been motivated by the galling efforts to sidestep our sanctions and keep moving money and goods in other jurisdictions. The EU has taken innovative, important steps to be able to freeze the assets of companies and individuals—based in any country—if they are “supporting, materially or financially, actions which undermine or threaten the territorial integrity, sovereignty and independence of Ukraine,” not to mention “persons, entities, or bodies associated with them.”

In fact, the EU has already used this sanctions authority to meaningful effect. Since last fall, the EU has listed Iranian entities and individuals—21 in all, across multiple rounds—in connection to the supply of drones or drone components to Russia. These drones targeted Ukrainian battle positions and systematically sought to destroy the power grid. The text of the EU's sanctions listing narratives for these cases states that by helping to develop Iranian UAVs that are later sent to Russia, the Iranian companies support actions that undermine Ukraine's territorial integrity. The UK, for example, has sanctioned several targets in third countries, including an Iranian company that has provided to Russia “components and engines for UAVs that could contribute to destabilizing Ukraine.” The bottom line is that, in applying these sanctions according to their Ukraine sanctions criteria, our partners have affirmed that anyone helping the aggressor obtain military items and key dual-use goods is, fundamentally, undermining Ukraine's sovereignty. This is a powerful defense of international law and an assertion of Europe's unwillingness to allow its financial systems to be used in furtherance of this horrible war. This evolving methodological approach, shared by Europe and the United States, is surely one of the most profound implications of the sanctions against Russia.

Now, when Russia seeks to work around our various coercive measures, whether we're talking about finances or goods, those flows may be pushed to other jurisdictions friendlier to Russia or more willing to look the other way when it comes to circumvention. However, the UK, the EU, and the U.S. have the authority, the political will, and a growing technical track record of acting,

multilaterally, to disrupt those flows through third countries, and our campaign to disrupt circumvention is just beginning.

## **CONCLUSION**

With that, I'll turn it back over to you Stefan—and I look forward to discussing all of this further with the panel.