

# Remarks by Deputy Secretary of the Treasury Wally Adeyemo at the Council on Foreign Relations

February 23, 2024

*As Prepared for Delivery*

Thank you, Mike, for having me here today. While I wish I were here under different circumstances, tomorrow, as you all know, marks the second anniversary of Russia's illegal invasion of Ukraine.

As the war stretches on, skeptics see Ukraine's endurance as a denial of reality, rather than a show of bravery that continues to frustrate one of the world's largest conventional armed forces.

Let's be clear—this invasion has been a strategic failure for the Kremlin. Putin expected to capture Kyiv in days. Instead, the Kremlin has deployed nearly its entire military and lost over 300,000 troops.<sup>[1]</sup> Putin wanted his invasion to divide global democracies, hoping we'd all look out for our own self-interest. Today, NATO is larger and more unified than when Russia's invasion began.

And in order to pay for this brutal war, the Kremlin is mortgaging the future of the Russian people. Hundreds of thousands of Russians have fled the country. Foreign direct investment has dried up, the ruble is weak, and the country is cut off from nearly every major financial center around the world. While GDP is higher than projected, it's largely due to the 70 percent increase in military spending, which has driven inflation higher and has taken the place of critical investments in Russia's people and future. For the first time in modern Russian history, the 2024 budget allocates more to military expenditures than social policy.

Despite Russia's challenges, conventional wisdom is that Ukraine lacks the capacity to persevere and that our coalition is weakening. This is a narrative perpetrated by the Kremlin and increasingly finding its way into the press. But it is false. The truth is Ukraine has the ability to defeat Russia. And our alliance with Europe and the global coalition we have built continues to withstand the test of time.

America's history is filled with lessons on how to defeat tyrants that seek to redraw borders, commit atrocities, and upend the global order. Cementing Russia's failure requires us to use diplomacy, sanctions, and export controls to deny the Kremlin access to the weapons and goods they need to conduct their war of choice, as well as properly resource the brave Ukrainian people to defend and preserve their democracy.

## **DISRUPTING RUSSIA**

Russia is more isolated from the global economy now than at any point since the end of the Cold War. This is because our coalition is made up of countries that represent more than 50 percent of the global economy. The breath and durability of this coalition sends a strong message to the Kremlin and any other regime that seeks to engage in unprovoked aggression against a neighbor.

A key part of our strategy is ensuring Ukraine has the military and economic support needed to defend itself and ensure that there is a country and economy left to defend, which I will touch on shortly.

Before I turn to that, I want to discuss Treasury's work using sanctions to make it harder for the Kremlin to wage its war. Our sanctions have two goals: reduce the revenues the Kremlin has to fuel its war of choice, and disrupt Russia's ability to get the goods it needs to build the weapons the Kremlin wants.

First, we are going after the Kremlin's most lucrative source of revenue—energy. Russian federal energy revenues dropped by about 40 percent in 2023, in large part due to our coalition's sanctions and the price cap regime that our coalition has placed on the Russian oil trade using G7 services.

Unsurprisingly, the Kremlin is investing time and resources into evading the price cap. And in response, we have further cracked down, enforcing and adjusting the price cap to make the Kremlin's costs rise and profits fall. Recently, the Russian Deputy Prime Minister publicly acknowledged the negative impact our crackdown has had on their revenues.<sup>[2]</sup>

Today, we will impose additional price cap sanctions that will increase Russia's circumvention costs, as well as reinforce our policy of reducing the Kremlin's revenue while permitting oil to reach the market.

Second, we are making it harder for Russia to purchase the goods it needs to build weapons it wants. This includes sanctioning companies in Russia and, importantly, in third countries that

support Russia's military industrial complex.

As part of this effort, today we announced a number of sanctions on Russian companies and third-country providers that are on the front lines of the Kremlin's military industrial complex. Places that were once advanced manufacturing and technology hubs at the forefront of innovation—the kinds of places that could lead to good jobs and improved quality of life for everyday Russians—are now geared towards war production and our actions will deny these firms access to money and supplies.

We are making it harder for the Russian military to purchase what it needs to sustain its domestic manufacturing effort. President Biden recently signed an Executive Order with new authorities, allowing us to send a simple message to companies and financial institutions around the world: if you provide material support to Russia's military we will come after you with every tool at our disposal. These firms have a choice: do business with Russia's military industrial complex or with countries that represent more than 50 percent of the global economy.

As Russia scrambles to evade our sanctions, we know that the more intelligence, operational, and financial resources they commit to evasion, the less they can commit to the battlefield. We also know that despite the Kremlin's best efforts, our sanctions continue to have an impact. Just this month, a Kremlin spokesman openly acknowledged the ways sanctions are creating new roadblocks.<sup>[3]</sup> That's why as we mark another anniversary of this war, the Biden Administration and our allies are committed to doubling down on our commitment to root out sanctions evasion.

## **SUPPORTING UKRAINE**

At the same time, our efforts to curb Russia's violence are only one part of the equation. As we work to slow down Russia's ability to produce weapons, we need to provide Ukraine with the weapons they need to defend themselves. And as we provide them with weapons, we must also ensure that Ukraine has the financial resources to keep the lights on and support their basic economic needs. This is an integral, inseparable part of our strategy—our sanctions alone are not sufficient to carry Ukraine to victory.

Our partners all over the world have been steadfast in their support. The European Union took an important step by agreeing to a €50 billion package of additional support for Ukraine. Canada, Japan, and the United Kingdom have each committed billions of dollars. But American leadership is essential to ensuring that Ukraine has the resources it needs.

The Senate supplemental includes over \$33 billion to invest in American companies and workers to build weapons the Ukrainian people need to defend themselves. It also includes \$10 billion in economic assistance. Sustained economic assistance not only helps Ukraine defend itself from attacks on its infrastructure and economy, it makes it clear to Russia—and other belligerent actors—that the United States will stand with countries fighting for our shared values. Our partners are stepping up to meet the challenge. We need to do our part.

And as we focus on providing Ukraine with short-term resources to defend its democracy, President Biden believes it is essential the Kremlin pay for the damage they have done to Ukraine. Early on in the invasion, President Biden and the other Leaders of our coalition made the decision to immobilize Russia’s sovereign assets held in our jurisdictions. In December, G7 Leaders stated clearly that, “it is not [] for Russia to decide if or when it will pay for the damage it has caused.” With this direction, we are actively looking for ways to use these assets to support the Ukrainian people. Taking this step will increase pressure on Russia to end its illegal war of aggression.

If Putin chooses to prolong this war, he should know that Ukraine will continue to have access to the finances it needs for its people and its economy.

## UNITY OF PURPOSE

After two years, Putin’s blatant violation of international law helped forge an unprecedented show of strength in opposition to his aggression.

Together, our international coalition has responded to his barbarism with innovative, collective countermeasures—like the price cap—that we would not have been able to do alone.

Now the Kremlin continues to employ a strategy aimed at destroying Ukraine’s will to fight.

But I remain hopeful because of brave Ukrainians like Roman Ratushny.<sup>[4]</sup> In 2014, just 16-years old, he joined thousands of protestors occupying the Maidan Square, demanding democracy and an end to government corruption. Eight years later, still a young man, he enlisted, ready to defend the fragile democracy he helped restore.

On the frontlines, Roman, prepared a will, writing like a man who already knew his fate: “Kyiv, I died far from you, but I died for you.” Just two weeks after writing those words, he was killed in action.

Roman Ratushny understood the power of the values that bind the Ukrainian people with democracies all over the world. He joined that sea of demonstrators in Kyiv, driven by the same impulse that led people to march on Washington, bring a wall down in Berlin, and stand up to apartheid in Johannesburg.

Roman Ratushny and countless others that summoned that spirit of service and sacrifice did not die in vain. As brave Ukrainians fight for their future, we must continue supporting them as long as Russia's aggression continues.

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[1] <https://www.cnn.com/2023/12/12/politics/russia-troop-losses-us-intelligence-assessment/index.html>

[2] [US, EU Oil Sanctions Deepening Russian Crude Discounts, Novak Says - Bloomberg](#)

[3] <https://www.barrons.com/news/russia-admits-problems-with-china-payments-1d9e5887>

[4] <https://www.cnn.com/2023/12/02/world/roman-ratushny-ukraine-maidan-revolution-intl-hnk-dst/index.html>