

News conference following G20 Summit in Seoul

November 12, 2010 11:00 Seoul

President of Russia Dmitry Medvedev: Good afternoon, colleagues,

I will say a few words about the results of the G20 Summit in Seoul. It ended with the adoption of a sizeable package of documents. What I want to note in particular is that they go beyond the traditional declarations adopted at such events, and are not just another set of documents, but include the G20 Action Plan, which is something we did not have before. This Action Plan has sections on specific regions and countries with the obligations and development proposals that the G20 countries have agreed to.

One of the sections deals specifically with Russia. This is a new and interesting step. This is the first time that countries have been divided into particular groups and been individually examined in terms of their plans and proposals on fiscal policy, structural reforms, monetary policy, exchange rate policy, and also different possible development scenarios depending on the turn global events take. Overall, this is useful.

I will say a few words too about the results. This was the fifth G20 summit since the crisis began. Much has been accomplished to help our economies emerge from recession and get them growing again. Today's decisions summed up the results of the work done to implement the decisions made in Pittsburgh and Toronto. This is probably the last crisis summit (at least, I hope this will be the case). We see the next summit as a post-crisis meeting, and it will therefore take place not in six months time, but in a year, under the French presidency.

I remind you that up to now we were meeting frequently, once every six months, given the obvious problems we faced. This was very good in terms of fast decision making and was something essential, but now it has been proposed that we meet in a year's time, and this reflects our common confidence that the next summit will be a post-crisis one.

As I said, the key decisions concern continuation of our close cooperation on coordinating our countries' macroeconomic policies. We will continue to implement the earlier decisions, including on reciprocal monitoring of the financial situation. In other words, we will continue our reciprocal evaluations of macroeconomic and fiscal policies. The adoption of the Seoul Action Plan lays the foundations for stable and sustainable global development over the next 3–5 years. This includes the task of ensuring balanced current accounts on the basis of agreed indicators and approaches, and this was indeed the issue that probably gave rise to the most debate.

The finance ministers have been instructed to continue this work and draw up a list of indicators that will identify global imbalances, and these indicators should ultimately help us to take the measures needed to reduce such imbalances. The first discussion on this list will take place in the first half of next year under the French presidency.

Another long-awaited decision that was the subject of much debate is the reform of the IMF voting and quota system. I remind you that we already succeeded in reforming the World Bank's voting and quota system. Developing countries and emerging markets have had their shares increased considerably, which better reflects their actual weight and influence in the global economy. Under the new quota distribution, the BRIC countries are now among the ten countries with the biggest quotas. Russia is in ninth place now, whereas it was in the second ten countries under the old system.

But even more important is the realisation that this reform must not end here. The quota distribution system is still far from perfect, and everyone admits this, including the European countries, which were understandably rather reluctant to undertake these reforms, seeing as the redistribution has been largely to the detriment of their own quotas. But at the same time,

everyone realises that there were countries with a considerable weight in the global economy but under-represented in the International Monetary Fund.

We agreed that the new formula would be approved before 2013, and by 2014 we would complete work on the second revision of quotas. This is very important in terms of giving the IMF's decisions and the global financial system in general greater legitimacy. We also approved plans within the global financial security framework, expanding access to IMF instruments.

We worked on approving a new financial regulation system, including banking capital standards. We confirmed measures to improve the most important instruments. Of course this work will continue because there are still problems to address and it is clear that quite a few consultations and approvals will need to take place in this area.

We discussed development and made this the subject of one of our plenary sessions. We adopted a document, the Seoul Development Consensus for shared growth.

We also discussed a Russian initiative – Russia's proposal on measures to protect the marine environment from oil spills. The mandate to continue work on this initiative has been approved and everyone agrees that we need to make use of the most effective practices in this area.

But we want to go further, and I informed my colleagues that at the next summit we will come back to this issue, including the possibility of drafting a convention on the consequences of oil spills and the impact in general of disasters of this kind. We think this is essential because, sadly, the existing international laws do not effectively address these threats and give us the possibilities we need to carry out effective prevention and cleanup work. Recent cases, including the spill in the Gulf of Mexico, demonstrated this all too clearly.

These, in short, are the results achieved, and they are unquestionably useful. There is perhaps one other issue that has also been the subject of much discussion, namely, exchange rate stabilisation and the so-called 'currency wars'. As far as this issue goes, the measures we discussed and the common position we reached show that issuers of the world's major reserve currencies and simply significant currencies are ready to listen to each other and ready to coordinate their efforts in order to prevent exchange rate manipulations. This is very important and I think it is one of the summit's positive results.

I am ready to answer your questions now. You have the floor.

Question: Mr President, you just mentioned one of the summit's main subjects – the risk of currency wars. If currency wars do break out, what consequences would this have for the global economy and for Russia's economy in your view, and of course, we all wonder what would happen to the Russian ruble in this situation?

Dmitry Medvedev: Let me say again, so as to make things clear. Of course no one can be absolutely certain that all problems have been solved for once and for all, but at the same time, the countries issuing reserve currencies and the big economies are listening to each other and all agree that it is in no one's interests to manipulate their currencies for the sake of short-term benefits. Everyone agrees that there has to be a balance. I therefore think that the risk of a currency war has become a lot lower after this summit, and that we have grounds for looking more confidently at the future now.

As for what would happen to the ruble, in a situation where risks from the countries issuing reserve currencies or countries with large shares on the global market have become lower, the state of our currency depends above all upon the state of affairs on our own market and on our own potential, on how we work and what decisions we make. In other words, our currency's stability and its future depend on us.

We need to work on giving the ruble the qualities that we set as one of our objectives. We have already put a lot of effort into making the ruble fully convertible. This goal has been accomplished and we now have to move on to the next task of turning the ruble into a reserve currency. This requires us to put a number of conditions in place, including developing Moscow as a financial centre. The ruble's state of health therefore depends largely on our own work and on the situation in the Russian economy. In this sense there are no serious threats at the moment.

Question: Mr President, you said that the next G20 summit would be a post-crisis summit. But to what extent do you think the G20 leaders will be willing to reach agreements once the crisis is over? Everyone was willing to work together so long as the crisis lasted, but what about the future?

Also in this context, you said at the Business Summit yesterday that small and medium-sized business can give an additional boost to economic growth. What is Russia doing to encourage this sector? What measures have and will be taken? And how was this idea received by your colleagues?

Dmitry Medvedev: You just repeated practically word for word what the G20 leaders said at the summit: we are quick to agree when the fire is burning, but when it's almost out it becomes harder to agree.

Fortunately, such pessimistic notions proved wrong, because we reached agreements on everything. Of course there was debate over particular points in the declaration, which is normal. But I can tell you that the G20 leaders really showed unprecedented willingness to agree. This would have been unimaginable five years ago.

I think we have taken the needed responsible attitude at a very difficult time, meeting regularly and taking sometimes unpopular and for the most part very difficult and complex decisions. We are taking such decisions now, and are paying great heed to every issue raised and giving our response.

I want to stress that the leaders have learned to listen to each other, to hear each other, and have learned to reach agreements. This is probably one of the main lessons that the G20 has taught us since it was established, and it is one of the instruments that enables us to resolve the tasks before us. In this sense I am happy with the way our cooperation is developing.

Coming back to small and medium-sized business, I did indeed make a separate speech on this subject. It is clear that we cannot achieve a real recovery without this sector's help. Everyone can see that the crisis is over, but at the same time recovery in the global economy and in individual countries is still quite slow, especially in the countries with highly organised economies.

The fast-growing markets are posting better results, this is true, but it is important in either case to develop the small and medium-sized business infrastructure. We discussed this yesterday, and everyone agreed with the recommendations drafted, and which aim precisely to support this sector.

What are we doing? Practically every country, Russia included, has approved a programme for small and medium-sized business development, and is coming up with new support projects and new financial instruments. Russia has passed a special law, On Microfinance and Microloans. Let's see how it works in practice. This work has already started producing results.

It makes me especially happy to say that in Russia big state banks have finally set up their own programmes for supporting small business. These are not just declarations on paper, but are programmes that are really being carried out. The bankers come to me from time to time to report on the situation. These programmes involve big amounts of money being put into small business. Yes, there are still some problems with interest rates, guarantees, and provisions, but overall this is an instrument that has already started working.

I did not mention, by the way, when summing up the results of our work, that when I met yesterday with the business representatives, they had quite a lot to say about the impact of Basel III, that is, the decisions concerning banks' capital and economic financing issues.

These are important decisions. They have been approved on a delayed basis, that is to say, they will not come into force immediately. These decisions will oblige banks to top up their capitalisation and comply with certain liquidity and provisioning requirements. Why do I mention this now?

The thing is that some companies worry about whether this will negatively affect trade financing. I raised this issue especially at the G20 meeting yesterday, because the clear regulations the Basel III principles will introduce are good things, but must not unbalance other sectors of the economy, and in particular must not deal a blow to trade financing. This is something we need to keep at the centre of our attention.

Question: Mr President, I work for Kommersant newspaper, and so I cannot help but ask you the following question. Yesterday, our newspaper reported that a Foreign Intelligence Service (SVR) officer, Colonel Shcherbakov, was the one responsible for betraying the Russian intelligence network in the USA, and that a big investigation is now underway in the SVR. What results do you think this investigation will produce, and what personnel and organisational consequences could this have for the service's heads?

On the subject of Basel III, what impact do you think it will have on the Russian banking system? What do you think of the idea to have our banks move over to the International Financial Reporting Standards [IFRS] and abolish the Russian national accounting standards [RAS]?

Dmitry Medvedev: Let me start from the end.

On the subject of Basel III, our banks are taking it in their stride. They will digest these new changes and we do not expect to see any particular problems. Of course the banking system needs some weeding out here and there, for it does have its shortcomings, but overall, this move to a common set of modern principles will do it no harm.

As for the International Financial Reporting Standards, practically all of our banks already use these standards, and so there is no problem here. We do not yet have detailed legislation on this matter and are still in the process of passing these laws, but all normal banks are already working under the IFRS system, and so we do not expect to see complications arise.

Coming back to your first question, I would rather not comment on investigations in process, because they are the affair of the services carrying them out. For my part, what Kommersant published was not news, and I knew about it all, with all the various details, on the day it all happened. Now the investigation has to run its course. Let's see what it brings. In any event, we need to learn the necessary lessons from this whole affair.

Question: Mr President, did you meet in Seoul with your BRIC country colleagues?

Dmitry Medvedev: Individually, yes.

Question: The BRIC countries took differing and sometimes opposing positions in the discussions here, including on the quantitative relaxations the US Federal Reserve system has been carrying out. Given these differences, what future does this group have in your view, and will it transform in some way, or perhaps expand?

Dmitry Medvedev: I think this group has a very bright future. This is not some kind of lofty reflection on how wonderful we all are, but is a sentiment based on the real decisions we have made.

I mentioned in my opening remarks that there has been a redistribution of votes [in the IMF]. The BRIC countries, as an informal but nonetheless real group of large, fast-growing economies, were very instrumental in bringing about this decision.

This explains why all four countries in the BRIC group are now among the ten countries with the biggest numbers of votes in the International Monetary Fund. This is a direct result of the BRIC group's work.

But life goes on, and you have no doubt heard that other countries have expressed interest in joining the group, in particular South Africa. We look favourably overall at this kind of interest, and the countries in the group share a common position in this respect as things stand today.

So, that's the situation. You can draw your own conclusions.

Question: Mr President, I have a domestic policy question. The Federation Council voted last week on a law changing the procedures for approving senators' appointments. Before the vote took place Mr Mironov [Federation Council Speaker Sergei Mironov] wrote a letter saying that he does not agree with this procedure.

What is the explanation for this, in your view? Is Mr Mironov really so concerned about the senators, or is he more worried about losing a little of his own power? How do you view his political future?

Dmitry Medvedev: Let me start with his political future. I think that any person's, any politician's political future depends above all on himself. I would rather not try to predict the political future of any of our country's prominent politicians for obvious reasons. Let him think about his political future himself.

As for his letter, I have not seen the actual letter, but did read about it in the papers. I have, however, discussed this subject with Mr Mironov. My view is quite straightforward: I think that the legitimacy of people elected to the Federation Council, the legitimacy of future senators, should stem from the actual fact of their election and not from subsequent procedures. The whole point here is to ensure democracy, and not to block someone's approval because of some breach of the law, or because there's something you don't like about the person.

I therefore think this is a reasonable amendment to the law and, most importantly, it takes us in the right direction, for it strengthens democracy in our country.

Response: So, there is no political future for Sergei Mironov?

Dmitry Medvedev: That is your view. I did not say this. I said that I think this is a fair decision. Mr Mironov has the right to think differently. He is the speaker of the Federation Council, but at the same time he is also no different a member of this body than is any other member of our upper house.

Question: Mr President, coming back to your visit to South Korea, did you discuss the subject of the Trans-Korean railway? What political decisions do you think are needed to make this wonderful project reality?

Dmitry Medvedev: You mean to build this Trans-Korean railway?

Question: Yes, and link it to the Trans-Siberian railway and so on. What can Russia do in this respect to bring the two Koreas closer together?

Dmitry Medvedev: This is a particularly fitting subject to discuss here on Korean soil. We have indeed discussed this project on a number of occasions and think it interesting from a commercial, and most importantly, from a political point of view.

What is needed to make it reality? Not just money, in any case. It requires the participants' good will. We are holding talks with the Republic of Korea (we have no problems in this context) and with the Democratic People's Republic of Korea. These talks need to continue.

Overall, as I understand it, the parties are quite enthusiastic about this project, but, as you realise, there are various difficulties in these two countries' relations, the resolution of which could perhaps help this project.

I do stress, though, that I think this project is commercially justified, and this is important for any business project, and it also has a far-reaching political component too.

I want to thank you all for your work here in Korea. Now we will head for Japan, where much of interest also awaits us. I wish you success. Take care.

See you again soon.

Source: <http://en.kremlin.ru/events/president/transcripts/9491>