

SERGEY STORCHAK

Deputy Finance Minister of the Russian Federation

Gabriel FELBERMAYR

We have the Deputy Minister of Finance with us here, and, Sergey, we have been talking about Africa and the interior question of security and stability, and when we look at Russia today, we are aware that Russia is part of Europe geographically, but it is not part of the political Europe, and that has given rise to economic tensions as well. So continuing the motif of politics and economics, where do you see Russia standing here today and what does it mean for the growth perspectives in Russia and for the Eurasian economic union that has now emerged over the last couple of years?

Sergey STORCHAK

Thank you for introducing me. First, I would like to say that I share the opinion that was said at the beginning of our session; that, in principle, the global economy is in good shape, but it is only in principle. The challenges are accumulating, and this effect still needs to be clearly processed and analysed.

The biggest challenges, from my point of view as Deputy Minister for Finance, is that during the last six years or so, we have stated in our final declarations at different levels of G20, either ministers or leaders, that the debt is growing, and it has been said year after year or each half of the year, and there is still no sign that we will have a contrary position.

Of course, the interest rates environment is stimulating huge borrowing but, at the same time, we see another big challenge in this fate. As far as almost 17 trillion bonds are being sold below principle, with negative interest rates, and we see big challenges facing insurance companies and pension funds. I wonder what is going to happen in a few years when these two very important institutions need to service their liabilities with our pensioners or those who have signed contracts to ensure their activities.

In Russia, even in this environment, we have, we enjoy the privilege of using both fiscal and monetary policy as we still have the space to use these. We have low debt, we are still far beyond the general level of interest rates, so the central bank can use monetary policy to slowly go to lower reference rates and keep the markets in better rated for the near future. But most important in my country over last few years, we have preferred to rely - as the benchmark for our internal policy - not on the rate of economic growth, but more on the sustainability of growth and inclusiveness. This basis is often referred to within G20 documents, but, it is difficult to say whether any other G20 economy is relying on these benchmarks as their internal policy as it is happening in our situation. We have now passed through the period of low growth rate, and instead we have strong fiscal and monetary positions. We have finally managed to shape a banking system, to get rid of poor institutions, and this stabilisation in the banking sector allows for credit expansion within the private sector.

This is important, but still the most important tool for internal policy is fiscal policy or fiscal stimulation. We have now started to implement 12 national projects, which cover the whole spectrum of internal life; medicine, education, infrastructure, export promotion, and so on, and big money will be invested from budget resources and from borrowed sources. As a result of these national projects we expect that in four years' time, the average growth of Russia would be beyond the average growth of the global economy. We are still looking at the global economic growth as a benchmark, but not the real policy aim, I hope. At least. So it is very important in terms of the decision-making process.

Just a couple of words about China. There is plenty of evidence that China has become a new super-power, and, from a Russian point of view, we enjoy the fact and, frankly speaking, we are relying on the fact, and it helps a lot in terms of overcoming some difficulties in terms of different economic and financial restrictions. We can now rely on the deep, internal bond market in China, for example, Russian companies are already there, the government is still thinking about the possibility of using the inland Chinese bond market as source of funding but, more importantly, we enjoy the



privilege of having a strong demand for Russian exports in China's economy. I remember the times when the trade turnover between Russia and China was around 10 billion. It is now around 100 billion, and this has happened in less than 10 years. Our aim, and our Chinese colleague's aim, is to have 200 billion of trade turnover in 2024, which means that China will become Russia's second trade partner after the European Union.

I will conclude with what you said at the beginning; whether we are facing the challenges of losing a multilateral approach in global governance. Last year was very critical one, I think, I remember how difficult it was to negotiate G20 leaders' final declarations in Buenos Aires, when we had one superpower blocking all kind of reference to multilateral corporation and so on. Today, especially due to the effective management of the situation by our Japanese colleagues as the leaders and the presidency of G20, the situation slightly changed. We can, perhaps, be even more optimistic in terms of the fact that multilateralism has not been lost, it is still with us, and this is very important because the global economy depends on global value added chains and this strong tendency that in the nearest future almost no single good is produced in a single country. It is very important to keep these multilateral corporations in order and multilateral rules, particularly in trade, in order as well.

I will finish here, and perhaps later we will come back to the Eurasian union as you mentioned. Thank you.

Gabriel FELBERMAYR

Thank you very much, Sergey.