



ATTITUDES OF THE RUSSIAN FEDERATION TOWARDS THE PROPOSALS OF THE 2ND DRAFT OF THE FORUM FOR THE 21ST CENTURY

The Russian federation would like to thank the Forum for the 21st Century for initiating the discussion and organizing the conference on global economic issues. At the same time, we express our full support towards solving the challenges occurring in the new global scenario.

After an in-depth analysis of the 2nd draft proposed by the Forum for the 21st century let us annotate it and include our suggestions as well. The Russian federation stresses that it supports all efforts to take part in making the global situation's performance more effective and that it sees the most important issues in assurance of the stability of the World Economy in the 21st century.

1ST PROPOSAL OF THE FORUM:

Forum for the 21st Century calls for quick finalization of the Doha Development Round. With the agriculture sector being one of the most problematic issues on the worldwide scale as well as in the Doha Development Agenda, the Forum sees the earliest possible agreement highly essential. By the year 2015, the tariff restrictions on agricultural products import from the developing countries should be lifted so that even the countries not being in the WTO's Generalized System of Preferences will have the access to the world agricultural markets without the current disadvantages. Already benefiting from extensive subsidies, agricultural production from developed countries holds twice the advantage on the world markets. As the world food prices soar, the suspension of subsidies and removing tariff restrictions must be gradually adopted in order to stop the steep increase in food price levels that endangers the already troublesome access to nutrition in the poorest regions of the world. Such an action would provide developing countries with vital incomes to spur their progress and at the same time cheaper food in developed countries. Moreover, according to research from organizations such as OECD, suspension of subsidies would greatly contribute to increase the world's GNP output.

Besides withdrawing from using free market-deforming instruments, the Forum calls for research activities to be carried out by participating countries in order to identify new means of aid to the countries suffering from the lack of food. The Forum expects the reports to be presented by the end of year 2013. Until the policies resulting from the research are adopted, participating countries should direct the development aid into the technical assistance, mainly the irrigation facilities that will enable developing countries to raise their food sovereignty.

ATTITUDE OF THE RUSSIAN FEDERATION TOWARDS 1ST PROPOSAL OF THE FORUM:

The Russian federation appreciates the endeavor to quickly finalize the Doha Development Round. In the case of agricultural sector being one of the most problematic issues on the worldwide scale as well as in Doha Development Agenda, the Russian federation considers the reaching of solid agreement essential. The Russian federation understands the contribution to the developing countries that would result from the suspension of subventions in developed countries and the removal of tariff restrictions on the import of agricultural products from the developing countries. However, it is appropriate to pose a question, whether the removal of the aforementioned obstacles in the course of five forthcoming years is not a too optimistic suggestion.

In attempt to stabilize food price levels, the Russian federation considers necessary that also those developing countries not included in the Generalized System of Preferences should have the access to the world agricultural markets without current disadvantage in the future.





At the same time, the Russian federation considers the giving of appropriate time needed for adaptation of particular domestic producers and whole domestic market in developed countries to this challenge necessary. Therefore, in contrast to the proposal of the Forum, the Russian federation highly recommends that particular developed countries should enter the process of gradual removal of tariff restrictions on the import of agricultural products from the developing countries in the course of twenty forthcoming years, so that by the year 2030 import duty rates shall be eliminated on 2%. By the year 2040 the tariff restrictions on the import of agricultural products from the developing countries should be definitely removed, The Russian recommends that the gradual removal of tariff restrictions on the import of agricultural products from the developing countries by the year 2030 should be done in six phases and that one by the year 2040 should be done in two phases.

The Russian federation understands the contribution to the developing countries that would result from the suspension of subventions in developed countries. At the same time, the Russian federation is aware of how the steep increase in food price levels endangers the already troublesome access to nutrition in the poorest regions of the world. However, it is necessary to remark that that agriculture is a sector of economy in which it is very difficult to predict the production in a particular year, because of the influence of such factors on future output that could not be affected by farmers. At the same time, it is necessary to realize that also the influence of these factors consequently contribute to the world food prices. Moreover, it is essential to pose a question, what influence for instance the funding of the production and utilization of so called biomass on the volatility of food price levels would have.

The Russian federation appreciates the proposal of the Forum for realization of for research activities to be carried out by participating countries in order to identify new means of aid to the countries suffering from the lack of food. However, the Russian federation suggests that the awaiting reports should be presented by the end of year 2015. The Russian federation recommends that until the presentation of reports from particular countries, the development aid should continue in such way as it is realized today.

2ND PROPOSAL OF THE FORUM:

Of the main imbalances present in the world economy, the Forum finds China's long-term trade surpluses and, on the other hand, US trade deficits the most pressing one. Yuan, China's national currency is still considerably undervalued compared to US dollar as well as other ones. Taking this into consideration, it is apparent that China's exports hold unfair advantage in the world trade. Moreover, the amount of Chinese monetary reserves in US dollars creates the unprecedented situation when the exchange rate of the main world reserve currency, that US dollar still remains, could be significantly influenced by the economic policy of China. Therefore, the Forum recommends that China, as well as other countries, namely Japan and South Korea; stop intervening in favour of keeping the exchange rates at artificially low levels and gradually level their present value with the real ones. This process should be finalized by the end of the year 2015 so that the domestic exporters will be given sufficient time for accommodation.

ATTITUDE OF RUSSIAN FEDERATION TOWARDS 2ND PROPOSAL OF THE FORUM:

The Russian federation apprehends the consequences of imbalances that are present in the world economy, and is aware how keeping the exchange rates at artificially low levels influences the world economy. Nowadays the tendency towards the increase in economic





interdependence, i. e. interconnection of particular economies, is not only bringing them benefits, but is also exposing them to certain risks.

Apparently, the amount of Chinese monetary reserves in US dollars creates the unprecedented situation when the exchange rate of the main world reserve currency, that US dollar still remains, could be significantly influenced by the economic policy of China. With respect to this, it is appropriate to pose a question, what implications it would bring to the world economy if China was to dissolve its foreign exchange reserves. The Russian federation begs Forum to remind that contemporary International Monetary System allows to particular countries to choose independently their system of foreign exchange rates (e.g. pegged system, managed floating, independent floating etc.). Therefore the competence to decide about any amendment of the system of foreign exchange rates or monetary policy lies only on the countries involved. Regarding the delicacy of this issue, the Russian federation considers the reopening of dialogue to this issue on the level of countries involved necessary.

3RD PROPOSAL OF THE FORUM:

With its value falling due to its long-term depreciation, the unique position of US dollar slowly but steadily deteriorates. The Forum proposes that the use of the International Monetary Fund reserve currency shall be augmented. The Forum recommends the SDR currency basket to be composed of five to six currencies based on the respective countries' share in the world trade as well as the amount of their currency reserves that would provide stability in the times of general monetary instability. Both these prerequisites would amount to 50% of SDR's value (based on the weighted average). At the same time, it should be revaluated every two years in order to reflect the economic reality with no currency being granted an automatic share. It is clear that even the augmented use of SDR cannot completely replace traditional currency reserves. Taking this into account, the Forum suggests that the currencies of regional economic leaders were to be used more on the intra-regional level. Besides diversifying monetary reserves themselves, this would lower foreign exchange losses.

ATTITUDE OF RUSSIAN FEDERATION TOWARDS 3RD PROPOSAL OF THE FORUM:

The Russian federation appreciates the suggestion of the Forum to augment the use of the International Monetary Fund reserve currency. At the same time Russian federation appreciates recommendation that the SDR currency basket should consist of five to six currencies of those countries meeting both conditions: having the highest share in the world trade and the greatest amount of foreign exchange reserves. Both these prerequisites would amount to 50% of SDR's value (based on the weighted average). As a result of such modification of the SDR currency basket general stability should be brought. The Russian federation appreciates the proposal of the Forum that the augmented SDR currency basket should be revaluated in order to reflect the economic reality with no currency being granted an automatic share. However, the Russian federation recommends that the time of revaluation of the International Monetary Fund reserve currency should be done every single year in order to be more precise. The Russian federation appreciates the proposal of the Forum that stress the importance of the usage of the currencies of regional economic leaders on intra-regional level. This action should not only bring the financial stability to particular regions, but also diversify monetary reserves themselves and lower foreign exchange losses.



4TH PROPOSAL OF THE FORUM:

As the examples from the past showed, countries' currencies, and thus countries themselves, can become victims to speculative capital originating from uncontrolled sources, such as hedge funds. As means of protection, the Forum advises countries to adopt legal provisions limiting the flow of their currencies. The amount of currency that could be bought and sold by a single investor, with the exception of national banks and Greenfield investments, should be restricted to 0.5% of a country's monetary base per month and 4% per year. This kind of precaution will prevent the speculative attacks on currencies and so protect countries' economies on the whole.

ATTITUDE OF RUSSIAN FEDERATION TOWARDS 4TH PROPOSAL OF THE FORUM:

The Russian federation apprehends the consequences of imbalances that are present in the world economy, and is aware how speculative capital originating from uncontrolled sources, such as hedge funds influences the world economy. The Russian federation understands the contribution to the particular countries and also to the world economy that would result from the adoption of legal provisions limiting the flow of their currencies. However regarding the delicacy of this issue, the Russian federation considers the reopening of the dialogue on the other available solutions to this issue necessary.

5TH PROPOSAL OF THE FORUM:

Similarly to the volume restriction of foreign exchange trade, the Forum calls for adoption of legal provisions in order to protect vulnerable countries against the outflow of speculative capital in form of portfolio investment. To ensure protection, the outflow should be restricted to 5% of country's GDP.

ATTITUDE OF RUSSIAN FEDERATION TOWARDS 5TH PROPOSAL OF THE FORUM:

Similarly to the volume restriction of foreign exchange trade, the Russian federation considers the reopening of the dialogue on the other available solutions to this issue necessary.

6TH PROPOSAL OF THE FORUM:

To counterbalance drawbacks caused by the "brain drain" phenomenon, the Forum recommends the adoption of measures that would guarantee the return of funds invested in education of individuals who do not contribute to the gross domestic product. As a possible solution, the Forum proposes using remittances to help the least developed countries in their progress. Remittances frequently represent the key component of income for people living in the least developed countries. On the other hand, gathering resources for the improvement or construction of infrastructure presents a difficult challenge for countries. Utilizing remittances as a source of funds provides a unique option to hasten the development. As income from remittances is mostly used for consumption and not supplementing much-needed investments. Imposing a 12% tax on them could be an adequate way to gather required financial resources. New funds under the supervision of the World Bank would be created to guarantee effective use of money, with each country being in possession of one. Funds could be used only for projects improving country's infrastructure (road network, construction of schools, sanitary facilities, research facilities etc.) that would create healthy and sustainable basis for future growth.

ATTITUDE OF RUSSIAN FEDERATION TOWARDS 6TH PROPOSAL OF THE FORUM:

The Russian federation recognizes the consequences of the "brain drain" phenomenon on the progress of the developing countries. At the same time, the Russian federation considers necessary to highlight that the "brain drain" phenomenon is in general closely connected to





the international migration of population. Apparently, remittances frequently represent the key component of income for people living in the least developed countries. However, imposing a tax on them would result into double taxation of the income of a person who is sending remittances to his/her family. Therefore the Russian federation highly recommends the support of less developed countries mainly throughout development aid as world know it today e.g. development projects oriented on improvement or creation of the educational system and countries infrastructure instead of creating new remittance funds. Moreover, the Russian federation highly recommends the reopening of the dialogue on the available solutions to this issue.

7TH PROPOSAL OF THE FORUM:

Forum for the 21st Century recommends that, in the global dispute over the sources of energy, greater space is given to scientists who oppose pessimistic scenarios concerning the depletion of conventional sources of energy. Existing scientific studies, which question the pessimistic scenario accepted worldwide without contradicting voices being heard, provide us with a different perspective regarding the future use of energy resources. Using financial resources and scientific capacities to further improve efficiency of already existing facilities is substantial. Funding the development of alternative sources of energy should be done based on both environmental and economic arguments.

ATTITUDE OF RUSSIAN FEDERATION TOWARDS 7TH PROPOSAL OF THE FORUM:

The Russian federation appreciates the recommendation to give greater space to the scientists who oppose pessimistic scenarios concerning the depletion of conventional sources of energy in the global dispute over the sources of energy. From the point of view of the Russian federation, in every discussion it is inevitable to listen to all available ideas of reputable specialists. In the course of time mankind always reaches a certain point, in which all the methods that are known and approved stop to be effective. However, thanks to the human inventiveness mankind has found ways and means how to overcome such situations.

At the same time, Russian federation is convinced that it is essential to support scientific work. On the basis of many scientific studies that evaluate the pros and cons of using of alternative sources of energy, the Russian federation considers to be of a very high importance that funding of their development should be done based not only on environmental and economic arguments, but also on moral arguments. Therefore, it is essential to pose a question, what influence for instance the funding of the production and utilization of so called biomass on the volatility of food price levels would have. Moreover it is scientifically proved that using biofuels derived from biomass generates more CO₂ than using fossil fuels.

8TH PROPOSAL OF THE FORUM:

The Forum suggests that the countries re-evaluate their spending on the economically ineffective energy sources and, by the end of the year 2012, prepare reports measuring the efficiency of the particular sources in their respective conditions. Based on these reports, the countries ought to ensure that the share of the most efficient energy source, except the ones producing greenhouse gases, will rise by at least 10% by the end of the year 2020. The Forum regards reopening the debate on the use of nuclear energy highly essential. To make nuclear energy even safer, creating a scientific team consisting of the world's best experts is advised to be done by the end of the year 2011 with its focus being to find environment-friendly way of disposal of the nuclear waste which remains one of the few negative sides to the nuclear energy.





 **ATTITUDE OF RUSSIAN FEDERATION TOWARDS 8TH PROPOSAL OF THE FORUM:**

The Russian federation appreciates the suggestion of the Forum that is needed to re-evaluate the spending on the economically ineffective energy sources by particular countries. However, instead of preparing reports measuring the efficiency of the particular energy sources in their respective conditions by the end of the year 2012, the Russian federation recommends to extend the time given for preparation of such reports by the end of the year 2015. The Russian federation considers the giving of appropriate time to particular countries needed for preparation of reports measuring the efficiency of the particular energy sources necessary since the results of reports should be precisely processed and not recklessly stated. Moreover the Russian federation considers necessary that the preparation of these reports should be done on evaluation at least five independent working papers, which should be presented by the national scientific teams chosen for this purpose in particular countries. The Russian federation appreciates the proposal of the Forum that based on these reports the countries ought to ensure that the share of the most efficient energy source, except the ones producing greenhouse gases, will rise by at least 10% by the end of the year 2020.

The Russian federation highly recommends the reopening of the debate on the use of nuclear energy. Apparently, nuclear energy is the most economically efficient source of energy as well as environment-friendly in terms of production of greenhouse gases. Therefore the Russian federation appreciates the suggestion of the Forum to create a scientific team consisting of the world's best experts with the aim to find environment-friendly way of disposal of the nuclear waste. However, the Russian federation suggests that the time given for creation of the scientific team should be extended by the end of the year 2015 since the Russian federation considers the reaching of agreement on how to finance such scientific team necessary.

