

Press Conference following Russian-German Consultations

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PRESIDENT OF RUSSIA DMITRY MEDVEDEV: Ms Federal Chancellor, Colleagues,

As we agreed earlier, we are meeting today to discuss preparations for the G20 summit in London and at the same time take a look at how our relations are developing.

It is symbolic that we began our discussions today by meeting with members of the German business community and examining the problems our economies and businesses currently face. What came through in this discussion, in my view, was that we did not get fixated with minor details, but spoke about future prospects, aware that the fate of big projects in Russia and Germany depends on the level of our relations and cooperation.

It is worth mentioning once more that our bilateral trade reached the unprecedented figure of \$67 billion last year. Of course we want to maintain this level in the future. There are a lot of people whose jobs and incomes depend on our trade, as does the prosperity of even entire regions.

This shows that our economic relations have become a real factor in cooperation. We are not talking about bits and pieces here and there, but about serious big programmes. During the discussions with our German colleagues, German businesspeople, I was very pleased to notice that they see real prospects for projects even at this difficult time. We talked about projects in machine-building, and of course about energy sector projects too. Work is underway to implement practically all of our prior agreements, despite the difficulties our economies and the entire world are encountering today.

Our bilateral talks, during which we discussed preparations for the G20 summit, made a natural follow-up to the discussions with the business community. I agree 100 percent with what the Federal Chancellor said: we do indeed share very similar views on what needs to be done and what positions we should support at this summit.

We have all had a chance to look through the Declaration. It sets a certain direction for development, but in our opinion, most important of all is that the G20's work not end with simply adopting this or that declaration. The summit needs to be followed up with substantive further events in the form of conferences and other forums for discussing the shape of the future global financial system. Our objective today is not to inject money into economies in need, even large economies, and not to merely support our own manufacturers, although this is an important task for any government. Our objective is to prevent such crises or minimise their effects. This is the first time we have faced a crisis of this nature, and we do not yet fully understand its development and effects. But now that we have decided to meet and put precious time into discussions, we need to reflect on what we can do to best influence and manage these kinds of economic processes.

In this context, I fully agree that we should draw up full-fledged international agreements. One such agreement could be the Charter for Sustainable Development. I support this idea (and I voiced this support just now at our bilateral meeting) because this is not just a separate fragment of the work we need to do in the future, but an agreement of considerable substance and importance.

I also think that we should not try to avoid tackling the issue of the future of the international financial organizations. We cannot simply patch up holes in their mechanisms, but need to look at how to transform them into full-fledged modern institutions.

Their foundations were laid more than 60 years ago now, and they are in need of modernization. We need to be frank in recognizing that in many respects they have not been up to the task of managing this current crisis. This obliges us to meet and examine the question of setting up new funds and making new decisions on investment. This is a major task too.

We also need to look at establishing a modern currency system. This is something we discussed. The situation now is far from ideal, as the current crisis has exacerbated problems that already existed on the different currency markets, and has shown that these markets are not entirely stable. Even if the situation does stabilise somewhat there is no guarantee of real and calm development over the coming decades if we do not create a modern system of currency relations, including the question of setting up a larger number of reserve currencies. These are all issues forming the framework of important matters we will need to discuss at the London summit.

Finally, coming to the third set of subjects, we did indeed discuss relations between Russia and NATO, between Russia and the European Union, and the aspects of ensuring a modern security system in general.

The Russia-NATO Council is set to resume full-scale work soon. We welcome such development. We never sought to limit our relations with NATO. There was a suspension in our relations that was not of our choosing, but now that reason has prevailed and our dialogue is to resume, we are ready to work once more.

These relations are important, including with respect to a number of international issues such as Afghanistan and cooperation on nuclear weapons non-proliferation, but this does not mean that we should concentrate all of our attention on relations between Russia and NATO alone. We also need to look at how to give our relations other forms.

I am referring for example to relations between the Russian Federation and the European Union, which can also contribute to Europe's security. This is a new item on the agenda, but relevant all the same. We therefore discussed these matters too, looking at the possibilities for working in this format on security issues.

This also correlates with the proposal for the treaty on European security that I put forward last year. We are grateful for the interest Germany has shown for this proposal, and we are ready to continue discussing this idea at the widest range of forums.

That accounts for what we discussed today. I think the Federal Chancellor and I will have the chance to continue discussing various matters at other venues today.

QUESTION: Germany and Russia each presented individual proposals in the run-up to the London summit. Some of these proposals have been mentioned here today. I would like to know, on what specific proposals do your positions coincide, and on which do you have differences. Could you please name the proposals on which you are not in agreement, and, following your talks, will there be any proposals to make adjustments, although there is not much time left now before the summit?

DMITRY MEDVEDEV: I can only say that I agree with what was just said [by the Federal Chancellor]. First, we have no major differences in our points of view. I will not say with whom

we do have differences, so as not to ruin the intrigue. Let the sherpas continue their work and perhaps arrive at some compromise proposals.

What we all agree on for sure is that the aim of this G20 summit is not to make ultimate decisions, sum up the work and note our agreement, but to launch the major undertaking of building a new financial system. What we see as most important is that this future work should definitively transform the situation and bring about positive change in the way the international financial system functions, create a more stable balance of currencies in the world, a sounder system of international auditing and corporate reporting, improve the international ratings system, and achieve progress on all of the various issues that we will discuss.

The way we look at this problem is that we need to build the foundation for future work. We need to take the steps that will prevent a repeat of such crises. This is why, as I said, we welcome the important proposals our colleagues have put forward, including the idea of the Charter, which was discussed today. We must not replace real work with a set of separate decisions, add some money here or there, add in a function here or there, and hope that everything will turn out fine. I do not think this is the right approach. We need to build a new system. Overall, this work is underway today, and this is the goal we have in mind.

Regarding some of the fine points that have come out of today's discussions, we will of course send instructions to our sherpas. They will be able to make adjustments, and perhaps come to a consolidated position, which is always an added plus.

QUESTION: In Washington, the idea was discussed of not taking any protectionist measures for 12 months. Now, six months have gone by and we see that many countries have taken protectionist measures. How reasonable is it to make these kinds of promises only to see six months later that they have been broken?

DMITRY MEDVEDEV: Russia, like other responsible members of the international community, opposes primitive and unabashed protectionism. We are not a member of the World Trade Organisation, but we support concluding the Doha round of trade talks. These are self-evident things.

As I said at the meeting with the business community members today, on my way to Germany, I looked at what I think is the U.S. President's most recent interview, with the Financial Times. One of the questions stated that Washington has said much about anti-protectionist measures, but has taken more than 700 decisions that can be considered protectionist in nature. This demonstrates that our internal decisions do not always follow the dictates of pure logic.

We all face a situation where businesses are closing down, people are being laid off, and this is something we cannot ignore in our domestic policy. But at the same time, we must not allow, especially at this time, a policy of primitive and senseless protectionism that would lead to markets closing off, set of trade wars, and build high walls between countries.

There are special European Union decisions and other international agreements. Russia will follow these agreements, but at the same time, we also have to follow developments in our own country and take some protection measures if need be. But these measures should be only local in nature, for a start, and I think they should also be only temporary. Otherwise, we risk creating a situation in which our economies function separately from each other, and this is something we cannot allow in the crisis situation, and ultimately it would be the wrong road to follow.

QUESTION: As you said, the energy sector is one of the most important fields of cooperation between Russia and Germany, and between Russia and Europe in general. An agreement on Ukraine's gas transport system was approved recently in Brussels. This document caused a stir in Russia above all because it excludes Russia, the main gas supplier, from the negotiating process. What is your view of the situation? How is it likely to develop?

DMITRY MEDVEDEV: I am grateful to the Federal Chancellor for this position. The conference itself and the decisions that came out of this conference under the European Commission's aegis are highly debatable in Russia's view. You cannot divide up a product that does not belong to you, and you cannot build a normal functioning system for transporting gas or any other commodity without involving the country that actually produces that commodity.

We were surprised and somewhat disappointed by this news. This does not mean that we now feel offended and will go off and sulk. We are ready to continue consultations.

At the same time, we want to make the point that any agreements in this area should be settled with all of the different parties. The crisis that occurred in January showed just how vulnerable we are if this or that transit country begins following its own policy without coordinating with the other parties.

There are several lessons to be learned from this situation. First is that we need to establish a full-fledged legal foundation so as not to have this kind of problem cause us difficulties in the future. This could take the form of a separate agreement, or we could make adjustments to the Energy Charter, something I spoke about a little while back. Russia's proposals are ready now and we will soon send them to our European partners and our Ukrainian partners too, of course, so that they can study them and we can then continue the discussions.

The second lesson is that all consultations of this kind should take place in friendly fashion. We hope that if discussion of these issues does continue, Russia will be given a suitable place in such consultations. If this does not happen, this will affect our relations in the very sensitive area of energy security.

Finally, the third lesson to be learned from these events is that no one can guarantee against decisions, the consequences of which have not been fully thought through. Our Ukrainian partners decided they could go ahead with this dialogue without Russia's participation, and we, for our part, draw our conclusions from this situation, and you are aware we have already done so.

Our response, as you know, was to defer the intergovernmental consultations between Russia and Ukraine, as well as the approval of decisions our Ukrainian colleagues had requested of us. Our Ukrainian colleagues have a good many requests. They request money from us, for example. But how can we give money in a situation where we cannot agree on one of the most fundamental issues? We will take all of this into consideration.

QUESTION: There are many German companies that say the deals already concluded cannot actually go ahead. Is Russia ready to finance them?

DMITRY MEDVEDEV: I am not completely clear as to which deals the Russian state should finance. Could you be more specific? Which deals are not going ahead, and which should be financed?

QUESTION: There are many companies whose Russian partners are having financing problems. The question is then, what help are they receiving from the state? In Germany, for example, there is a system of state guarantees.

DMITRY MEDVEDEV: To be honest, many companies in general are having problems – Russian companies, German companies, American companies and others. Government economic policy exists to help national business sector. Our country's economic policy includes various forms of support for businesses that are unable to meet all of their commitments in the current situation.

In specific terms, this includes measures such as providing preferential loans in sensitive and important cases, and a system of support for small and medium businesses. Our country is also putting in place these kinds of measures. The legislative work is underway on this, and our Government is taking the necessary steps and decisions.

As for the question of a system of state guarantees, following a period of reflection, the Government has approved procedures for state guarantees that obligations will be fulfilled. This system should begin work now. Making use of special bank guarantee methods, this will give companies currently having problems obtaining loans the possibility of using the services banks offer. This will make it possible for them to obtain loans under bank guarantees provided in accordance with the state procedures.

We can also look at other ways of helping them to fulfil their obligations, because the current problem with bank loans is that the value of the assets the companies previously used as collateral has decreased considerably. This is a problem in Russia and in other countries too, and governments have to look for new solutions and use less standard means, perhaps, to ensure that credit deals can go ahead. We are carrying out this work in Russia and we will continue it. This will also cover, of course, the companies working with German businesses.