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### PRESS-RELEASE

#### Dmitry Medvedev's address at the G20 Business Summit

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#### **PRESIDENT OF RUSSIA DMITRY MEDVEDEV:**

Ladies and gentlemen, Ms Parisot,

I am very glad to be taking part in the G20 Business Summit and would like to comment on a few points that have just been made.

I do not know how you are all feeling today but I suspect that your mood more or less matches the weather in Cannes today: on the one hand, it is warm but at the same time it is raining, and there is a sense that things are not going as well as they could. Perhaps we can think of a way to resolve this together.



The most acute problem today is the situation in the eurozone. I am certain that due to the size of the European economy no outside assistance can be pivotal for the eurozone. The first and most obvious conclusion is that Europe must help itself. The EU has everything it needs to achieve that today: the political prestige, the financial resources and the support of many states. I do not want to give advice to sovereign countries about the course of action they should take. The main thing is that these sovereign states behave responsibly and do not sink or destroy their own economies.

Russia is part of Europe, and we are certainly not indifferent to the problems of the European Union. We are ready to take part in the financial support programmes for the EU countries, primarily through the instruments of the International Monetary Fund. That means that we have the right to make our position known.

We are very grateful to our European partners for the decisions taken recently at the so-called night summit of the European Union. Risk sharing seems reasonable, and the amounts declared appear sufficient to reassure the markets. However, it is essential to finally determine the sources of financing these obligations, the role of the International Monetary Fund and the European Central Bank, as well as what is needed from the countries willing to support our European partners – in this case I'm talking about Russia. The actions of the European governments take on a central role because the ability of the recent decisions to ensure the full stabilisation of the

European economy depends entirely on them. Naturally, everyone is waiting for good news from Greece: good, but not exotic or populist. I hope that we will not have to wait too long.

The fundamental cause of markets' distrust of the financial rescue plans in the eurozone is the uncertainty about how to reduce the debt burden, which in most countries exceeds 80% of their GDP. At a time when the economic growth is slow, just 1-2% a year, evidence of the fact that these states will take all the steps necessary to secure sovereign borrowers' mid-term solvency will be sufficient to reassure the markets. Countries with excessive debt burden should launch fiscal consolidation immediately. In fact, that is what we agreed at previous G20 summits. The only question is what steps the countries have taken in this time.

It would be reasonable for the EU countries perceived by financial markets as safe harbours to support demand and thus ease the situation for their weaker partners.

Now, regarding the risks in the financial system. Everyone understands that even a temporary suspension of interbank lending may lead to a paralysis of the financial system, like the one we saw in 2008. I believe that in the presence of such risks any actions that could adversely affect the financial position of banks and financial markets would be counterproductive. This is true of an excessively rapid increase in capital adequacy ratios, liquidity and taxes on financial transactions. This is Russia's position. These decisions should not be rushed. But the motivation of shareholders and managers of financial institutions also must change. Otherwise, Occupy Wall Street protests will become fashionable in all developed countries, and instead of promoting economic growth everyone will start dividing up the things that were created before us.

Three years ago, the G20 countries extended a helping hand to financial markets. They did it quite effectively, managing to prevent the worst – the collapse of financial systems. But we must remember that the price paid for that rescue eventually became unaffordable for many economies. For the first time in many years, the debt burden bound the developed countries' governments hand and foot. They are no longer able to continue in the role they played two years ago. That is why I believe that today it is big business that should take on the burden of leadership and ensure the sustainability of financial institutions – and it must do that first and foremost through its own resources.

Naturally, where the problems are caused by sovereign debt, the state must provide support for its business community. The main challenge is to ensure macroeconomic stability, reduce barriers to business and encourage private initiative. I believe that the G20 countries must show leadership on this issue and do everything possible to expedite the liberalisation of trade and investment.

I think that in this respect, Russia's long-overdue accession to the WTO would be a good contribution to the common cause. It is beneficial to us and our partners, and I hope that it will be one of the positive news that will come in the near future.

Another important but very delicate matter is the volatility of prices for raw materials and energy. Russia is the largest supplier of such resources and it is interested in stable and predictable prices for energy products, but not, I would like to stress, in the highest possible prices because it is the price fluctuations that create a destabilising situation in the markets and undermine the foundations of sustainable economic growth and basic budgeting. Therefore, we have decided to pay more attention to this issue and undertaken extensive consultations with market participants and experts. What are the conclusions?

First, everyone recognises the fact that the fluctuations in commodity prices are useful because they help balance supply and demand. However, commodity prices not only reflect the balance

of supply and demand but also respond to other macroeconomic factors, including currency exchange rates, fiscal policy and other matters. The threat, as we see it, comes from the so-called excessive volatility, although it is not entirely clear where the line between normal and excessive volatility is and it will probably need to be identified by experts.

Big business that operates in commodity markets is unanimous in the belief that volatility, when it appears, reflects the fundamental factors of supply and demand imbalance. Politicians want to improve such imbalances but they need to choose measures to stimulate supply. At the same time, the business community warns that any ill-considered actions in the regulation of financial instruments will have the opposite effect: they will increase costs and reduce the hedging opportunities and that, in turn, will ultimately result in increased volatility. To solve this problem we must first improve the quality of information on the reserves and production of raw materials. In this regard, we support the proposal to strengthen the oil statistics initiative in the analysis of data on oil and extend this initiative to other raw materials, such as gas, for a start.

For its part, Russia will consistently work on improving the quality of data on the physical state of national raw materials and foodstuffs. We have even drafted a special law, which stipulates the collection, processing and publication of data on our country's main raw material resources. The aim is to make this information transparent to our partners and all those monitoring the situation in the world.

Ultimately, energy security is the responsibility of energy producers, consumers and transit countries. It is on this basis that we have drafted the convention on energy security and would like to secure our partners' support for this initiative. To be perfectly honest, we expect to see joint efforts in this area, and these efforts should be open and involved.

There is one more issue I would like to talk about although it may not reflect the concerns prevailing in Cannes today, at the G20 summit, but it is nevertheless a very important issue: intellectual property rights protection on the Internet.

With the advent of digital technology and global information networks, we have seen a real breakthrough in the accumulation and sharing of information. We must admit frankly that the old principles of intellectual property protection do not work in the new environment; we must have the courage to admit this to ourselves. The situation requires new conceptual mechanisms of international regulation of the results of online intellectual activity.

The distinctive feature of relationships that arise when using online content is that the active role is played by information brokers: communications companies and the owners of Internet sites and domain names that deliver content from the rights holder to the user and among users. There is potential for mass use of online content the rights to which belong to third parties.

It is almost impossible to fight this. The incredible pace of growth in the volume of content has led to massive violations of exclusive rights to it. The response of both rights holders and users has been mixed. The former insist on strict copyright control, while the latter are no longer willing to accept restrictions on free access to content. For many people the Internet has become a source of knowledge. Therefore, we need a solution that will establish a new balance in this area.

What do I propose? First, it is essential that the state establishes a certain level of legal protection of copyright and related rights on the Internet and gives the rights holder the opportunity to choose the best model of protecting his or her work.

Second, it would be useful to introduce a special presumption that the use of objects of copyright and related rights online is free unless the owner has stated otherwise. It is necessary to establish a minimum level of protection.

Third, information brokers on the Internet should be liable for breach of copyright and related rights if found guilty, except in special cases. The implementation of these proposals would lead to significant changes in a number of international treaties, including the Berne Convention for the Protection of Literary and Artistic Works and it may become necessary to draft a separate new international treaty.

Colleagues, I would like to say what Russia and I personally would consider a good outcome of the Cannes Summit.

First, and most importantly, it is the commitment to take coordinated actions to prevent a new wave of the financial crisis – a genuine commitment. We must agree on a plan of specific actions and send a positive signal to markets, because the signals we have been receiving in recent days, including political signals, have been openly negative. Everyone must contribute to the common fund and at the same time do their homework and honour their obligations.

Second, we should implement the decisions made at previous summits in full. We adopted them for a reason and they took a lot of hard work. Otherwise, confidence in our young institution for coordinating major economies' policies will be undermined.

Finally, we must make people believe that everyone who wants to see a change for the better, who puts forward new and innovative solutions, who assumes responsibility, who wants to break out of poverty will get this chance. We prepared a set of solutions that pursued this aim and we would like to secure support for those proposals.

Thank you.

**LAURENCE PARISOT** (*retranslated*): Thank you very much, Mr President, for your thoughtful speech and for honestly presenting your point of view on the current situation, including the political situation.

In the two days this forum has been working, many eminent experts and heads of state have spoken from this podium. And I must say, you were the first and only one who did not read from a paper – although you did use an iPad. (*Laughter.*)

Please allow me to pass the floor to Stephane Richard, France Telecom CEO.

**STEPHANE RICHARD** (*retranslated*): Mr President, I greatly value your personal interest in the problems at hand. I have a couple of questions for you. The first question concerns investments in the expansion of broadband Internet. Today, we need major investments to develop a new generation of Internet connectivity, to increase the use of the Internet, and these investments must be made first and foremost by private companies. Could you share your views on the problem of spreading the Internet to outlying regions?

And my second question concerns security. We all know that the Internet economy is very fragile. We have major problems in terms of security. We would like to hear your thoughts, as President, on how Internet security issues should be handled.

**DMITRY MEDVEDEV**: Thank you.

You know, first of all, I would really like for the new economy – an economy based on the Internet and the various Internet generated products – to develop and not be susceptible to any major problems. But we understand that this challenge cannot be resolved without modern regulations and without effort on the part of all national leaders.

I recall when we discussed this issue at a G8 summit. Not only was I the only one there who used an iPad, I was also the one who called for changes in this area. The majority of my colleagues said it would be better not to touch anything as otherwise there may be a massive conflict between copyright holders and users, disturbing fundamental positions, copyright principles, and related rights.

But this would be the same as sticking our heads in the sand. We must find the courage to acknowledge that this new economy requires new principles and new forms of financing. Much in our future depends on this economy, perhaps to an extent we do not fully understand yet.

Let's look at recent political events that have been linked to various discussions, sometimes dramatic ones, within social networks. We understand that these kinds of discussions can be constructive, aimed at strengthening nations, or they can be unconstructive and quite destructive in nature. So we have to gather our courage and make decisions, formulate new approaches, and pass new international conventions. After all, when our predecessors were passing the Geneva Conventions and the Berne Convention 100 or 150 years ago, they were also covering some new ground.

As for security, this is a separate issue that is to be resolved via technical means, by investing money into new projects, while also strengthening the foundation of legislative regulation.

You rightly said that the online payment sector is fragile and is frequently subject to manipulation and various kinds of fraudulent operations. This does not mean that we are ready to renounce it. On the contrary, electronic payments are growing in scope, and in all likelihood, will increase with every year. Online advertising is also growing. The value of companies operating social networks is growing very significantly.

Thus, we should find methods to protect and maintain security. At the same time, these methods must not clash with the fundamentals of Internet development, the openness of the Internet and its accessibility to everyone. Because that is what Internet users value about this medium – they value the fact that it's open to everyone and is only regulated when absolutely necessary. So what's hardest is to find a balance between these two approaches, but I think the time has come to do it.

**LAURENCE PARISOT:** Thank you very much, Mr President. I give the floor to Steve Kandarian, head of MetLife and chair of the economic policy work group throughout the whole duration of this business summit.

**STEVE KANDARIAN** (*retranslated*): Mr President, first I would like to welcome your comments regarding intellectual property rights. I think this is a critically important topic, particularly when we talk about economies on different sides of a border. Thank you for your comments on this matter.

My comments concern the macroeconomic issues and trends that have developed since 2008, when the financial crisis began, and recent events pertaining to the sovereign debt crisis. I am interested in how these two crises affected Russia, and the role that Russia will play in fighting the current crisis. Thank you.

**DMITRY MEDVEDEV:** You know, the 2008 crisis hit everybody quite hard. Although everyone expected adverse changes, it nevertheless occurred with dramatic speed, and with the fall of a whole set of major corporations like Lehman Brothers.

What is happening now is generally explained in different ways. Some people say this is a new wave of the crisis, while others say we are simply in a deep recession.

But the truth is, this is a very difficult situation, however we may call it. And we see the role of our country in helping our colleagues and partners from other nations resolve their current difficulties as much as we can.

Still, we do understand that today we depend greatly on one another. I was just saying it would be good for Eurozone nations to demonstrate responsibility. But we realise that if the countries of the Eurozone do not take responsibility, it will result in quite negative consequences for our nation. Let me remind you that some 40 to 45 percent of our currency reserves are in euro. And we are absolutely not apathetic to what will happen in Eurozone states. So we perceive Russia's role as helping our struggling partners constructively, and at the same time, responsibly.

Indeed, we have been discussing this since this morning's BRICS meeting. We talked about how we can help our European partners in this situation, but at the same time, how to do it without weakening our states, while creating real stimulation mechanisms.

**LAURENCE PARISOT:** Mr President,

As far as the crisis in Eurozone is concerned, certain heads of states we received today said that Eurozone's leaders took too long to make decisions, and the decisions were not very effective. Do you share this point of view?

**DMITRY MEDVEDEV:** I do not want to offend anyone, but my feeling is, our partners' actions should be much more active and decisive in order to bring about order. Otherwise, we will fall hostage to these problems for a long time to come. And even the various delays, referenda or whatever else, will not help develop the decisions on this matter. But I understand that these are sovereign decisions made by each state. We would like for them to make those decisions as quickly as possible.

**LAURENCE PARISOT:** Thank you, Mr President.

Gerard Mestrallet, GDF Suez CEO, represents the energy business at this forum. I pass the floor to him.

**GERARD MESTRALLET** (*retranslated*): Mr President, you touched on issues pertaining to raw materials and energy resource price volatility. We are working with companies from countries such as Australia, Mexico, Russia and India. We have come to the conclusion that high prices are the result of an imbalance between supply and demand, so we would like to give four recommendations.

First, raw materials supplies must be used to develop third-world nations. Second, we must do everything to maintain the environmental balance. Third, we should improve market transparency and efficacy by ensuring the transparency of information on the current market situation, and developing dialogue between suppliers and consumers. Fourth, it is imperative to ensure fair finance regulation on the commodities market. This is absolutely imperative for regulating budgetary risks and defending against possible fraudulent decisions.

Mr President, you emphasise the importance of developing dialogue between supplier-nations and consumer-nations. My company, GDF Suez, is Gazprom's second largest client. And I would like to ask what measures you would propose for improving dialogue between Russia and Europe in order to calm Europe and confirm your gas supply obligations in the long-term. Thank you.

**DMITRY MEDVEDEV:** You have listed the key measures to strengthen confidence that events on the energy market will develop following a clear scenario.

What's important for us is that various agreements which were signed are fulfilled. It is important for us that the decisions made by our partners, including partners in the European Union, are clear to us.

You know about our country's vision of the so-called third energy package, if we take gas supplies. We believe that these decisions muddle the existing balance of relationships among suppliers, transit nations and buyers.

And although nobody likes paying a lot for gas or oil supplies, there is to be some kind of predictability. So I think everybody must act responsibly, and in certain situations make decisions that are clear to the partners. As an oil and gas supplier, Russia must act in a way that is transparent and clear to purchasers. But at the same time, our partners and EU authorities must make decisions that will be correctly understood by our companies, rather than destroying what we have been designing for the last 20 or 30 years. That is precisely why we proposed a special concept for supporting energy stability and security in the world.

A great deal was said about how to act within the framework of the Energy Charter. As you know, Russia was forced to cease its participation in the Energy Charter. Why? Not because we are against this instrument, but because we believe it only reflects some of the interests; it does not reflect the full balance of interests. And in order to reach that balance, it is imperative to amend this Energy Charter or pass some kind of new charter. If we proceed in this way, we will understand one another, hear one another, and make responsible decisions. We are ready to do this. Let me emphasise again: predictability in the energy market is much more important to Russia than high commodity prices, because development can only be planned within the framework of predictability.

**LAURENCE PARISOT:** Mr President, it has been a pleasure speaking with you, but I have just been informed that Nicolas Sarkozy is awaiting you. I regret that we must end this discussion.

I would like to say again how much we appreciate your participation in the work of our forum. Thank you very much