

# Vladimir Putin's Asia-Pacific Economic Cooperation (APEC) Summit Speech: Trade in Rubles and Yuan Will Weaken Dollar's Influence

By [Pres. Vladimir Putin](#)

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[President of Russia](#)

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*Vladimir Putin took part in a meeting of the Asia-Pacific Economic Cooperation (APEC) Forum's CEO Summit on the Asia-Pacific region's significance for Russia.*

*Mr Putin said, in particular, that Russia views cooperation with the Asia-Pacific region as a strategic priority. The President also told summit participants about Russia's plans to expand its cooperation with Asia-Pacific region countries, including through increased trade and investment incentives.*

Transcript of APEC CEO Summit meeting:

## **PRESIDENT OF RUSSIA VLADIMIR PUTIN:**

Ladies and gentlemen,

The APEC CEO Summit is traditionally considered one of the most representative forums for broad discussions on economic issues. I am pleased to have this opportunity to speak on a subject of great importance for us – developing Russia's cooperation with the Asia-Pacific region.

The twenty-first century has already been called 'the Pacific century'. As part of the Asia-Pacific region, Russia must make use of the competitive advantages offered by this fast-growing economic, technology and innovation centre.

In turn, Russian regions such as Siberia and the Far East offer a unique chance for this vast region's countries to effectively develop and make use of the opportunities there and further strengthen their potential.

Cooperation with the Asia-Pacific region is one of Russia's strategic priorities. The overall constructive spirit that characterises our relations with the vast majority of countries in the region is very important. We value this spirit greatly and will do everything possible to develop bilateral and multilateral cooperation in a wide range of areas.

Many Asia-Pacific region countries offer successful examples of roads to follow in developing their competitive abilities. They have taken the lead in innovation sectors and have considerable financial and investment resources at their disposal. Even faced with the negative global trends of recent years, they have kept up a good pace and had only a slight

slowdown in growth.

At the same time, in order not to end up caught in a more protracted slowdown, countries in the region will need to carry out significant structural reforms. It is not by chance that our Chinese friends, for example, have made this issue one of the priorities for the APEC presidency.

Russia is no exception here. Structural economic transformation is one of our top priorities. Trade with the Asia-Pacific region countries represents more than a quarter of Russia's total trade today.

We want to increase this share to 40 percent and we are taking concrete steps to expand the geography of our exports and increase the share of non-raw materials and high-tech goods.

In the Far East, we plan to establish a network of fast-growth zones offering tax incentives and simplified administrative procedures. The plan is that the companies located here will focus on narrow exports of non-raw materials, above all to the Asia-Pacific region.

Ladies and gentlemen, let me take this occasion to invite you to make use of the opportunity opening up to organise production operations in Russia's Far East. Let me say again that we are ready to offer you the best and most competitive conditions for your work. Direct foreign investment from Asia-Pacific region countries in the Russian economy has doubled since 2009 and now comes to nearly \$10 billion.

Russian investment in the Asia-Pacific region countries is more modest and came to slightly more than \$1 billion as of the end of last year. We will work actively to correct this imbalance. We hope in particular that the establishment of the National Coordination Centre for Developing Economic Relations with the Asia-Pacific Region Countries will make it possible to launch new projects with Russia's involvement.

The People's Republic of China is one of our key partners in the region. We will make greater use of settlements in our national currencies in our trade with China. We are already carrying out our first deals in rubles and yuan. Let me say that we are ready to extend such possibilities to trade in the energy sector too.

Our experts are currently studying these options. An intergovernmental Russian-Chinese commission on investment cooperation is also at work. Its main task is to promote investment projects in sectors other than energy on the basis of mutually advantageous cooperation.

We plan to use similar formats for developing our dialogue and practical cooperation in the investment sector with other partners too. Economic integration is clearly taking the fore on the APEC agenda today.

We believe that a major achievement of the Chinese presidency has been securing agreement on concrete steps towards establishing a future Asia-Pacific free trade zone. This plan should take into account the interests of all future participants, the unique features of our economies and the considerable differences in our development. Naturally, the future Asia-Pacific free trade zone should work together with other big regional economic associations.

Let me remind you in this respect that the Eurasian Economic Union will begin operation on January 1, 2015, and will bring together Russia, Belarus, Kazakhstan and Armenia, which is in the process of joining. This creates a large new regional market built on WTO principles. It offers free movement of capital, goods, services and labour and broad opportunities for coordination and exchange of technology and investment.

One of the Eurasian Economic Union's strategic goals is to take part in the integration processes underway in the Asia-Pacific region. I am sure that this opens up prospects of interest to many of our colleagues in the region. The Union is already holding talks on a free trade zone with Vietnam and is open to substantive dialogue with other countries in the region.

Ladies and gentlemen, the region's biggest companies are represented at today's summit. Some of you already have a presence in Russia and some of you are studying the possibility. Let me therefore address in more detail some of the issues that are usually uppermost on investors' minds.

Let me stress that our long-term development goals remain unchanged. Russia has retained its macroeconomic stability and we consider this one of our greatest achievements. We will continue to value this and will follow a carefully balanced budget policy.

We are not going to increase our sovereign debt. We plan to keep this debt at the safe and controllable level of less than 15 percent of GDP.

We are aware that our national currency, the ruble, is undergoing considerable fluctuation at the moment and we are working with our financial authorities to take the necessary measures. Our Central Bank is continuing its inflation target policy and will not change this.

Let me add that our Central Bank is also working actively on cleaning up banks' balances. This was something that long needed doing. I think that investors would have no trouble understanding the need to take such of measures to clean up the credit and financial system in general.

What is important is that our basic indicators such as gold and currency reserves and our balance of payments are still at a good level. This makes it possible for us to control the situation without needing to resort to extraordinary measures. Let me say again too that we have no intention of introducing capital controls.

We place great importance on developing a favourable business environment and spreading best practice in working with investors at the regional and municipal level. The main thing is that businesspeople and investors, including our foreign friends, are noticing the positive changes themselves. The international experts have also recognised our efforts. Russia has had a two-fold rise in its ranking on the well-known Doing Business rating since 2010.

To attract investors, reduce risks, and co-finance projects, we will use development institutes and also some of the reserves we have built up in our sovereign funds - money from the federal National Welfare Fund and other resources. We will improve access to credit resources. We are completing work on a mechanism for project financing and we plan to support major long-term projects.

Starting next year, a new organisation, the Industrial Development Fund, will be responsible for pre-bank financing of companies. We plan to invest significant resources in modernising

the Baikal-Amur and Trans-Siberian railways and see them as the base for a transcontinental bridge between Asia and Europe.

These railways' reconstruction is linked in with development of port facilities in the Far East, introduction of a railway traffic management system based on the latest technology used by GLONASS, Russia's global navigation system, and the creation of the so-called land ports - transport and logistics centres. All of this will make it possible to considerably speed up transit of goods.

Let me add too that we are actively at work on developing the Northern Sea Route's infrastructure. It will become a modern, safe and economically competitive transport corridor with a particular focus on goods from the Asia-Pacific region countries.

We also offer our partners cooperation in developing energy and telecommunications infrastructure. These are priority areas for the entire Asia-Pacific region today. Friends and colleagues, by combining our efforts and capabilities we could achieve benefit all round.

Russia is showing an example of investment openness in the sensitive energy sector. Let me remind you in this respect of the big Sakhalin oil and gas projects (Japan has a 30-percent stake in the Sakhalin-1 project and a stake of more than 22 percent in the Sakhalin-2 project, for example) and our agreements with China on building infrastructure for natural gas supplies. We are also examining possibilities for our Chinese partners to acquire stakes in some of our biggest production assets.

Ladies and gentlemen, Russia's location in Eurasia determines its role as a major factor for bringing Western and Eastern civilisation closer together, and we therefore want to strengthen our relations with all Asia-Pacific region countries and play an active part in building a free trade system and in economic and investment cooperation.

We are open for dialogue and discussion and for practical work too. We are ready to carry out joint programmes in the Asia-Pacific region and are sincerely interested in seeing businesspeople from this region come to Russia and achieve success there. We have huge, truly inexhaustible opportunities for work together.

In conclusion, let me invite you, ladies and gentlemen, to the next St Petersburg International Economic Forum, which will take place next year on June 18-20. I hope that we will continue the substantial dialogue on all issues of mutual interest and will open the way for new and interesting big projects.

Thank you for your attention.

**QUESTION:** Mr President, you mentioned the establishment of the Eurasian Economic Union, which will come into force on January 1, 2015. Could you talk in more detail about the concrete opportunities that will open in this regard to APEC businesspeople and APR nations?

**VLADIMIR PUTIN:** We have talked about this a great deal. It is one of our biggest integration projects in the post-Soviet space. I have already said that its participants are the Russian Federation, Belarus and Kazakhstan. Now, Armenia is in the final phase of joining this Union. This has essentially happened already: Armenia's Accession Agreement has been signed.

For a nation like China, the numbers I provide may not seem impressive, but nevertheless, for example, for the European region, this is a market of 170 million people. What's most important is that all these nations (at least, Russia and Kazakhstan) have large, not to say enormous, mineral resources and transport opportunities. Belarus brings us closer to the European market. The scientific potential is very high. But what's most important is that the principles laid into the foundation of the Union's work are built around the framework requirements of the World Trade Organisation, fully meeting them.

As I said in my address, we have transitioned to a higher phase of interaction and integration. We are removing customs regulation almost entirely between member states in this integration process. We are transitioning to the free movement of capital, services and labour. We are synchronising our tax and financial legislation and progressing to joint regulation of the financial markets.

In my view, all this creates excellent conditions for businesses to feel confident and secure working on this fairly large market. It gives them the opportunity to forecast their activities and receive good returns, to feel protected. I am referring (again, I repeat, this is a very important aspect) to the fact that the principles fully correspond with the requirements of the World Trade Organisation. We believe our partners from all regions of the world, including the Asia-Pacific region, will appreciate this very soon.

**QUESTION:** I would like to ask Mr President a question about improving Russian legislation.

We have business in Russia, and we would very much like to organise joint enterprises with Russia, but we have studied the Russian laws about foreign investments – in other words, investments by foreign states into Russia. It seems not everything is entirely clear, especially with regard to the fact that state authorities have very extensive powers with regard to foreign investors. Will there be any improvements in this area in Russia?

**VLADIMIR PUTIN:** I already said it in my address and I would like to stress this again: we feel, first, that this is one of our main objectives – namely, to create favourable conditions for investing and generally doing business in Russia. We have a whole programme of action that was developed not just by state officials, but in constant dialogue with our business community.

We have a roadmap for eliminating administrative barriers. And as I said earlier, overall, the situation is changing for the better. We have advanced significantly in the Doing Business ranking. But it's not just about rankings. It is, of course, a matter of the practical reality.

We are talking about making it easier to register companies. We are talking about making it easier to get connected to infrastructure, first and foremost, energy infrastructure. We are talking about decreasing pressure from, to put it bluntly, the law enforcement system. All of this is constantly in our field of vision. An analysis of what is happening in the market, the feedback from the business community gives us the foundation to believe that the process is moving in the right direction.

There is not doubt that much remains to be done still, but we are fully aware of what to do, and how. I am talking about fundamental issues, which I already mentioned, first and foremost, the budget policy, maintaining macroeconomic indicators and the overall principles of macroeconomic policy. I am talking about our support for exports. Here, unfortunately, we are at the start of this path, but we understand what needs to be done in

this direction as well.

I repeat, we are talking about supporting export. So if you come to Russia, the opportunities there extend beyond working in the Russian market. There are also options to work in third country markets through Russia. I want to stress, each of the segments of this plan is under our constant attention, jointly with Russia's business community. We will continue to improve all these mechanisms.

**QUESTION:** Mr President, I am from the Beijing Chamber of Commerce. Our members include over 200 companies, particularly businesses engaged in the so-called upstream, in other words, oil exploration and extraction. We also accompanied the Chinese Prime Minister's on his visit to Russia. We also plan to build production facilities and a research centre in Russia.

I have a question. You talked about direct transactions in rubles and yuan, the possibility of exchange. But the question is about liquidity – in other words, will it be possible to conduct such calculations more freely?

**VLADIMIR PUTIN:** You touched on a very important issue that concerns global finances and global energy. I believe that payments in national currencies, in any case, between such partners as China and Russia, are a very promising direction for our cooperation, which will help broaden our options for mutual trade and significantly influence global financial and energy markets.

We are currently examining a project for Chinese partners to join one of our major extraction companies with payments made in yuan. Of course, we must understand how we will use the extensive resources that the Russian partner will have when receiving Chinese national currency, but given that the Chinese economy is generating a great deal of goods that are in demand in the Russian goods market, we feel that such settlements are entirely possible.

Moreover, the Russian ruble has a number of advantages in that it is essentially a freely convertible currency, and as I said earlier, we are not going to restrict the movement of capital. Today, we are observing speculative jumps in the exchange rate, but I believe that this will end soon – I am referring to the actions that the Central Bank is taking in response to the actions of profiteers.

I must say that the events on the currency market that we are currently observing in Russia are absolutely unrelated to fundamental economic reasons and factors. All this will come into balance, but it is currently opportunistic in nature, and in the long-term, of course, calculations in rubles and yuan are very promising. This will mean that if we transition to such large-scale cooperation, the effect of the US dollar, say, on global energy, will decrease markedly.

In truth, this is not bad for the global economy, nor for global finances or global energy markets, nor for the dollar itself, because the more versatile payment options are available in this area, the more stable the situation will be in global finances and global energy. Ultimately, I think this can have a favourable effect on the dollar as a global reserve currency. Naturally, the dollar will later participate in exchange operations – this is true of the ruble and the yuan. So I think that this is a very good, entirely realistic perspective, and not a distant one; we will be able to see and hear this in the near future.

**QUESTION:** Mr President, my name is Yana, I represent a major Chinese investment project, the Greenwood Business Park in Moscow. We have already been working in Moscow, in Russia, for over 15 years. My question: how do you feel the successful experience of Chinese projects in Russia can be used to attract new Chinese investors?

**VLADIMIR PUTIN:** If you talk at forums like this one about your success in Russia, this will encourage others your partners and our friends to enter the Russian market and set up businesses there. What you just said is already an excellent advertisement for working in the Russian market. I would happily give you a hug. Thank you very much.

**REMARK:** Thank you. And in addition, I would like to say that currently, there are over 370 companies from 13 countries around the world working at the Greenwood Business Park. It would be our pleasure to invite you on an official visit to the Greenwood Business Park, a Chinese project.

**VLADIMIR PUTIN:** Thank you. I will certainly come visit.

**QUESTION:** Good afternoon, Mr President. I represent a Chinese company. I have two questions for you.

First, investment in Russia. All Chinese companies are still somewhat concerned, mainly over issues of law and order and safety in the streets. This is my first question.

The second question. Russia is a major producer of timber. There are still significant barriers in this area. How can Chinese companies gain access to the Russian timber market?

**VLADIMIR PUTIN:** First, regarding security, especially safety in the streets. I assure you that Russia is no more dangerous than any other country, including China, the United States or a number of European states.

Incidentally, today is November 10, and we are marking the professional holiday of employees of the Russian Interior Ministry. Therefore, this is a very timely question. Let us all congratulate them on their professional holiday, so they know that even here at the APEC Summit we are talking about the quality of their work. And let's hope that their work continues to improve.

Thank you.

As for timber, the issue you are so interested in. I understand the subtext of your question. However, I am sure that you will also understand me when I say that any country (and Russia is no exception here) wants to have the raw materials produced on its territory to be processed there as well, so that the nation's economy generates greater added value, new jobs are created and taxes are collected in Russia.

Therefore, our legislation has been making slow progress lately, considering our partners' desire to buy round timber. However, the overall tendency is that we need to process timber on the territory of the Russian Federation, and we will continue working in this direction.

In response to your question regarding how to ensure the interests of foreign companies, including the interests of our friends in China, I would like to say that the answer is very simple: you can come to Russia and invest in timber processing facilities.

**QUESTION** (*retranslated*): Mr President, I head a company in China. We are involved in electronic trade, helping small and medium sized companies do business online. Therefore, regional cooperation is not an empty phrase for us, and my question has to do with it. We all know that regional cooperation is the focus of APEC's efforts. How would you assess its current state and prospects?

Thank you.

**VLADIMIR PUTIN:** Are you referring to the state of online trade or our cooperation with China? I did not really understand your question.

**REMARK:** Since we help small and medium-size businesses, we would of course like to see regional cooperation within APEC develop. This would make our work easier, because electronic trade helps small and medium-size companies access world markets and receive funding.

**VLADIMIR PUTIN:** I see.

First, regarding regional cooperation. I believe this is a key area of our cooperation; moreover, cooperation between regions of the Russian Federation and regions of the People's Republic of China is developing successfully. I won't quote any numbers now regarding the growth of regional trade, but it is increasing day by day and year by year. We have established very good direct relations between the heads of Russian and the Chinese regions. This is a very good factor in favour of closer relations between companies.

Your professional question concerning online trade is also very important. We believe this is a significant segment of world trade, specifically for the development of small and medium-sized businesses. However, we proceed from the notion that in Russia taxation of this type of activity should not noticeably differ from the practices that exist in other countries.

True (I understand what you are hinting at), there is a discussion underway regarding the taxation that should be applied to electronic trade in the Russian Federation. The scope of electronic trade in Russia is large and keeps growing. The state should definitely maintain its interests and our fiscal policy should correspond to both the development of this segment of trade and its demands.

There is an issue we will have to resolve within the Customs Union and the Eurasian Union, which is to be launched on January 1, 2015. Your colleagues have already asked about it. We need to synchronise our tax rates, bearing in mind that if the tax rates in Kazakhstan, the Russian Federation and Belarus are different, all the businesses will move to the country with the lowest taxes.

We are working on this with our colleagues, but we must maintain a balanced approach to avoid any serious blows to business; moreover, we must retain favourable operating conditions for them, while protecting the state's financial interests. We will make sure we make this known in advance. This will be a free, open discussion conducted, among other places, in the Parliaments of Russia, Belarus and Kazakhstan.

I know I should give my colleagues a chance to come to this stand. I would like to have a longer discussion with you on these and other issues; I know you have quite a few questions. I would like to thank you for your interest in this conversation with me as a representative of the Russian Federation. I invite you all to Russia and wish you all the best.



Thank you very much.

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