THE BRICS AND ASIA, CURRENCY INTERNATIONALIZATION AND INTERNATIONAL MONETARY REFORM

PAPER NO. 4 — JUNE 2013

The Russian Federation: International Monetary Reform and Currency Internationalization

Juliet Johnson

THE BRICS AND ASIA, CURRENCY INTERNATIONALIZATION AND INTERNATIONAL MONETARY REFORM

PAPER NO. 4 — JUNE 2013

The Russian Federation: International Monetary Reform and Currency Internationalization

Juliet Johnson

Published by the Asian Development Bank, The Centre for International Governance Innovation and the Hong Kong Institute for Monetary Research.

This work was carried out with the support of the Asian Development Bank (ADB), Mandaluyong City, Philippines (www.adb.org), The Centre for International Governance Innovation (CIGI), Waterloo, Ontario, Canada (www.cigionline.org) and the Hong Kong Institute for Monetary Research (HKIMR), Hong Kong, China (www.hkimr.org).

Cover and page design by Steve Cross.

Author's Note

The author wishes to thank Greg Chin, Andrew Barnes, Matthew Ouimet and Ben Forest for their thoughtful comments on an earlier version of this paper, as well as Irakli Japaridze for research assistance. Where feasible, sources that are available in English or English translation have been cited in order to provide maximum accessibility to an international audience.

CONTENTS

ABOUT THE PROJECT AND PAPER SERIES

The BRICS and Asia, Currency Internationalization and International Monetary Reform

The disjuncture between global markets and an international monetary system (IMS) based on national currencies generates instability for global trade and finance. As the BRICS (Brazil, the Russian Federation, India, the People's Republic of China [PRC], South Africa) and Asian countries have become more integrated into the world economy, their governments have become increasingly aware of fundamental problems or challenges in the current IMS.

In December 2012, the Asian Development Bank (ADB), The Centre for International Governance Innovation (CIGI) and the Hong Kong Institute for Monetary Research (HKIMR) co-hosted a conference in Hong Kong, China. The conference examined: a range of views on the fundamental systemic problems that are a catalyst for international monetary reforms; views from the BRICS and Asian countries, as well as regional considerations regarding the measures that key countries are already taking to respond to the challenges of the IMS, including currency internationalization; and options and preferences for orderly adjustment of the IMS.

The 10 papers in this series, authored by esteemed academic and policy experts, were presented at the conference in Hong Kong, China and were subsequently revised. These working papers are being published simultaneously by all three partners.

ABOUT THE AUTHOR

Juliet Johnson is an associate professor in the Department of Political Science at McGill University. Her research focusses primarily on the politics of money and banking in the post-communist world. She is the author of *A Fistful of Rubles: The Rise and Fall of the Russian Banking System*, co-editor of the *Review of International Political Economy* and author of numerous scholarly and policy-oriented articles. She has been an advisory council member for the Kennan Institute of the Woodrow Wilson International Center for Scholars, a research fellow in Foreign Policy Studies at the Brookings Institution and the A. John Bittson National Fellow at the Hoover Institution. At McGill, she has served as the Faculty of Arts' associate dean (research and graduate studies) and is an elected member of the university's board of governors. She received her Ph.D. and M.A. in politics from Princeton University and her A.B. in international relations from Stanford University.

ACRONYMS

ADB	Asian Development Bank
APEC	Asian-Pacific Economic Cooperation
BOFIT	Bank of Finland
BRIC	Brazil, the Russian Federation, India and the People's Republic of China
BRICS	Brazil, the Russian Federation, India, the People's Republic of China and South Africa
CBR	Central Bank of Russia
CIGI	The Centre for International Governance Innovation
CIS	Commonwealth of Independent States
CSTO	Collective Security Treaty Organization
CU	Customs Union
EDB	Eurasian Development Bank
EEU	Eurasian Economic Union
EU	European Union
EurAsEC	Eurasian Economic Community
G8	Group of Eight
G20	Group of Twenty
HKIMR	Hong Kong Institute for Monetary Research
IMF	International Monetary Fund
IMS	international monetary system
PRC	People's Republic of China
RMB	renminbi
SDRs	Special Drawing Rights
SES	Single Economic Space
TI	Transparency International
USSR	Union of Soviet Socialist Republics
VEB	Vneshekonombank
VTB	Vneshtorgbank
WEF	World Economic Forum
WTO	World Trade Organization

EXECUTIVE SUMMARY

This paper explores Russian leaders' views on reforming the international monetary system (IMS), the potential role of the ruble in an emerging multicurrency world, and the complex relationship between ruble and renminbi (RMB) internationalization. The 2008 global financial crisis encouraged the BRIC states (Brazil, the Russian Federation, India and the People's Republic of China [PRC]) to work together to demand fundamental reforms to the international financial architecture and to move towards a multicurrency-based IMS. Promoting ruble internationalization has been central to Russian efforts in this regard, and has served important domestic political, economic and symbolic purposes as well, yet Russian concerns about the US-dollar-based IMS and its simultaneous ambitions for ruble internationalization have incompatible implications for Russian attitudes towards the PRC and the RMB. On the one hand, in principle Russian leaders see RMB internationalization as a welcome challenge to US dollar hegemony and have supported using the RMB in the Russian Federation's bilateral trade with the PRC. On the other, Russian leaders are deeply concerned about the potential threat to Russian economic influence in the post-Soviet sphere, especially in Central Asia, if the RMB's role there races ahead of the ruble's.

INTRODUCTION

> Fundamentally, what the world is facing today is a serious systemic crisis, a tectonic process of global transformation…This period will be long and painful. No illusions should be cherished.
>
> —Vladimir Putin[1]

The searing effects of the 2008 global financial crisis encouraged emerging market states like the Russian Federation and the PRC to work together to demand fundamental reforms to the international

1 Quoted in "Global Crisis is Systemic" (2012), *RIA Novosti*, January 16, available at: http://en.ria.ru/society/20120116/170772999.html.

financial architecture, calling for the transformation of institutions such as the International Monetary Fund (IMF) in order to better represent their voices and interests. One of the central demands of the BRIC states was to move to a multicurrency-based IMS that would not depend on US government policies to safeguard the world's reserve currency. This paper explores Russian leaders' views on how and why to reform the IMS, the potential role of the ruble in an emerging multicurrency world, and the complex relationship between ruble and RMB internationalization.

THE RUSSIAN FEDERATION AND THE GLOBAL FINANCIAL CRISIS

In the decade after the Russian Federation's successful recovery from its painful 1998 financial crisis, Russian politicians and financial markets exhibited steadily growing confidence. Russian leaders began discussing the ruble as a possible international reserve currency and suggested that the Russian Federation could handily weather any future global financial instability. Oil prices rose and the Russian government conducted restrained monetary policies, leading to several years of 7–8 percent annual GDP growth and moderate but stable 9–15 percent annual inflation. As the Russian Federation profited from natural resource exports, it accumulated foreign exchange reserves of nearly US$500 billion and created a US$225 billion stabilization fund to protect again future oil price volatility.

But by mid-2008, in the wake of the global financial crisis, the Russian Federation's declining terms of trade, capital flight and a rapid drop in international oil prices had combined to plunge the Russian economy into turmoil once again. The ruble's value declined steadily, sparking a domestic rush to convert rubles to US dollars and euros. The Russian Federation's stock exchanges repeatedly halted trading during autumn 2008 in the face of collapsing share prices. Russian banks and companies with foreign-currency loans were squeezed and credit dried up. The crisis deepened through 2009, a year in which the Russian Federation's GDP fell by 7.9 percent. The swing from nearly 8.5 percent GDP growth in 2007 to -7.9 percent in 2009 was among the largest in the world.

While the dramatic effects of the crisis encouraged Russian leaders to call for domestic economic modernization and diversification, they reserved their most significant criticisms — and calls for reform — for the international financial architecture and the IMS. Even before the crisis, Russian officials in the Finance Ministry, Central Bank, and Ministry for Economic Development and Trade had expressed concerns that US economic weakness and the US dollar's increasing instability threatened the Russian Federation's economic position and the IMS more broadly, and had begun diversifying Russian foreign exchange reserves away from their heavy reliance on the dollar (Johnson, 2008).[2] Once the 2008 crisis hit, Russian leaders (not surprisingly) argued that fundamental flaws in the international system, as led by the United States, were the primary cause. As Russian President Dmitry Medvedev put it at the St. Petersburg International Economic Forum in June 2008:

> I note that the crises taking place before our eyes — the financial crisis, rising prices for natural resources and food, as well as a number of global catastrophes — have clearly demonstrated that the current system of global governance is not equipped to meet the challenges it

2 Russian US dollar reserves, estimated at over 70 percent in 2004, had fallen to 45.5 percent of the total by January 2012, with the euro comprising the lion's share of the rest at 41 percent.

> faces. There is a kind of institutional vacuum at the level of international governmental agencies responsible for solving the specific problems that are today the most acute. This has shown how illusory it is to suppose that a single country, even if it is the most powerful, can assume the role of global government…In any case, this simply confirms the necessity of reforming the global financial structure. (Medvedev, 2008)

Then Prime Minister Vladimir Putin was more blunt. In 2008, he called the world financial crisis a "contagion" that had spread from the United States and said that the Russian situation was "due to the…irresponsibility of [the US] system." In 2011, he characterized the United States as a "parasite" whose failure to live within its means had forced other countries to assume the burden of economic adjustment (Boudreaux, 2011). Influential Russian academics and other policy leaders widely shared these views, identifying the IMS's dollar dependence as a fatal weakness in need of rectification.[3]

Russian leaders demanded a more inclusive international financial architecture as a first response to these problems, observing that the IMF quota system should be adjusted so that global economic leaders such as the Russian Federation and the PRC no longer had less formal influence than small European countries such as Belgium and Switzerland.[4] Indeed, the BRIC countries collectively insisted that distributing power more equitably and bringing a wide range of countries into international governance structures would better reflect the realities of the international system. Such reforms would then lay the groundwork for more thorough institutional transformation. President Medvedev explained the Russian government's initial thoughts in a 2009 interview with *Kommersant*:

> Without a doubt, the depth of this crisis, its intensity, harshness, and severity are related to the fact that the global financial architecture turned out to be flawed…This leads to a pragmatic conclusion: we need to create new financial architecture… Specifically, [our plan] calls for a fairer financial establishment, more effective rules, more clarity and transparency on the part of international financial institutions such as the IMF and the World Bank, and perhaps, the creation of new institutions, if at some point we deem it necessary. It calls for greater corporate transparency, a modern international system for monitoring the financial state of individual countries, the development of a system of international auditing, and a modern, non-unilateral system for accounting and reporting…Today, the major challenge is transforming

3 For a brief overview, see E. E. Sidorova (2011), "Global Currency System: A Road to Stabilization," *Studies on Russian Economic Development* 22, no. 5. While the majority of the Russian academic community identifies the system's dollar dependence as a significant problem and agrees on the need to move to a multicurrency world, views remain divided on the feasibility of "retiring" the dollar, the means by which this should be pursued and the most appropriate timeline. See also Vlad Grinkevich (2012), "Is the Curtain Closing on the US Dollar?" *Voice of Russia*, July 31, available at: http://english.ruvr.ru/_print/83552029.html.

4 See remarks by then Finance Minister Alexei Kudrin in "The Ruble and the Yuan," 2009.

> the model we created into a series of concrete actions. (Medvedev, 2009b)

In parallel, Russian officials worked actively through the Group of Twenty (G20) and BRIC forums to transform the US-dollar-based IMS. Russian leaders initially used these forums to promote Special Drawing Rights (SDRs) as the stepping stone to a supranational ecurrency. As Medvedev argued in the same interview with *Kommersant*, "the idea of an electronic currency, which would be accepted by the entire global community, is entirely possible… Suppose that these [SDRs] are adopted by the G20, and that other countries join us as well; in essence, this would represent a prototype of global settlement of accounts in a single currency" (2009b). At the 2009 and 2010 BRIC summits, the Russian Federation and the other BRIC states called for the expanded use of SDRs as an international reserve asset, while in 2009 the G20 supported a US$250 billion new SDR allocation, the first since 1981.

Russian leaders became increasingly frustrated, however, with the slow pace of change in the international financial architecture (and particularly in the IMF quota system) despite ongoing pressures from the G20 and BRIC states. The crisis in the euro zone reinforced both the urgency of reform and the perception that the system's traditional leaders in the United States and Europe were unable to respond constructively to its problems. As influential Russian policy expert and academic Sergei Karaganov (2012) noted, "There is a feeling that the G20 is following in the footsteps of the [Group of Eight (G8)] — there is more and more noise, but less and less concrete results…Soon there may be a new legitimacy crisis of the G20, like the one that hit the G8." [5] Russian leaders also began expressing more caution about SDRs as the most likely "way out" of the system's dollar dependence. By June 2012, Russian Finance Minister Anton Siluanov (2012) had all but declared the SDR initiative dead, stating that "at the current moment," there was no prospect for the SDRs to become an international reserve currency.

Russian leaders fully intend to use the Russian Federation's year-long presidency of the G20, which began on December 1, 2012, to advance the interests of emerging market economies; indeed, the Russian Federation has made reforming the international financial architecture one of the eight priority areas for its presidency.[6] However, Russian leaders have also been increasingly pursuing ways to develop and diversify the IMS that do not rely on dialogue with the system's traditional powers. Indeed, by the 2011 BRICS (Brazil, the Russian Federation, India, the PRC and now including South Africa) summit in the PRC, the BRICS states were increasingly using the forum to reinforce economic cooperation among themselves and to create alternatives and workarounds to existing international institutions. The final statement of the 2012 BRICS summit in New Delhi reflected this shift in emphasis. While it repeated the usual demands for greater inclusion of emerging market countries in the international financial architecture, it also called more prominently for a broad-based international reserve currency system, fleshed out in an earlier agreement, by which the five countries' development banks would provide

5 Karaganov is Chairman of the Presidium of the Council on Foreign and Defence Policy and Dean of the Department of World Economics and International Affairs at the Russian Federation's National Research University Higher School of Economics.

6 See the Russian Presidency of the G20 outline document, available at: http://en.g20russia.ru/docs/g20_russia/outline##8.

credit to each other in their national currencies, and proposed the creation of a common BRICS development bank (Sender and Leahy, 2012). In June 2012, a special BRICS working group further agreed to develop a regional crisis fund that would involve currency swap arrangements among BRICS states (Kuzmin, 2012).

THE RUBLE IN A MULTICURRENCY WORLD

Promoting ruble internationalization is central to Russian leaders' efforts to diversify the IMS. President Dmitry Medvedev's speech at the St. Petersburg International Economic Forum became the initial referent for Russian policy and debate on this issue. In his remarks, he stated that:

> Russia today is a global player. We must recognize its responsibility for the destiny of the world and we want to participate in shaping the new rules of the game, not because of any so-called imperial ambitions, but simply because we have both the requisite capacity and resources… The transformation of Moscow into a powerful global financial center and the transformation of the ruble into one of the leading regional reserve currencies are the key ingredients to ensure the competitiveness of our financial system. To facilitate these things an action plan will be adopted in the very near future. (Medvedev, 2008)

Russian leaders see the importance of creating and maintaining an international role for the ruble for a variety of reasons. The elite-level discussions of the ruble's potential as a world currency and Moscow's future as an international financial centre underscore the leaders' perceptions of the Russian Federation as a central pole and great power in the international system. Ruble internationalization also became a part of certain Russian leaders' discourses on modernization and financial sector development, especially as a key means of drawing long-term investment into the Russian Federation. In a 2010 report commissioned by President Medvedev, prepared in cooperation with the Institute of Contemporary Development and the Bank of Moscow, four leading Russian economists wrote that:

> Transformation of the Russian ruble into a reserve currency… is a key measure for ensuring that the domestic financial system is competitive. In order to realize it, internationalization of the ruble has to be aggressively promoted. The ultimate goal — for the ruble to join the club of reserve currencies — can be achieved by 2020. If the Russian ruble acquires the status of a reserve currency, the inflow of long-term investments into Russia will significantly increase…There is a positive balance between the costs and benefits of internationalizing the ruble: overall, the Russian economy, Russian citizens, companies, and banks will benefit from transformation of the ruble into a reserve currency. Achieving this result should be a long-term goal of government policy. (Vedev et al., 2010)

Perhaps most importantly, Russian leaders believe that the ruble should become the dominant regional currency in much of the post-Soviet world. This

involves political as well as economic interests, as Russian leaders intend to maintain pre-eminence in what they see as their traditional regional backyard, the so-called "near abroad." Working to expand the role of the ruble on Russian terms has become a part of the Russian Federation's general economic policy in the former Soviet sphere. The key controversy within the Russian Federation has been the degree to which the Russian Federation's regional partners should simply use the ruble more regularly in trade and reserves, or whether they should formally adopt the ruble (or an alternative new regional currency) and retire their existing national currencies.

The Ruble's Potential as a World Currency

In objective economic terms, the Russian ruble has little chance to become a world currency approaching the scale of the US dollar, euro, yen or pound. Key measures such as use in reserves, international transactions and foreign exchange trading demonstrate that the ruble has an insignificant international presence that is not appreciably expanding (World Bank, 2011a). International markets view the Russian Federation's commodity dependence, relatively shallow and opaque financial markets, comparatively limited trade network, perceived high level of corruption and inflationary history as significant obstacles to the ruble's internationalization.[7] In a recent IMF paper, Maziad et al. (2011) rank the ruble below numerous other currencies, including the RMB, in terms of its actual and potential status as an international reserve currency. Most Russian economists recognize this reality as well. For example, a 2011 article brought together eight experts from the region to argue that the ruble will not and should not become an international reserve currency, given the dearth of appropriate economic conditions in the Russian Federation and the high costs of ruble internationalization (Zubova, 2011).

Nevertheless, both Medvedev and Putin have promoted the ruble as a potential world currency. Medvedev (2009a), when asked about the risks of ruble internationalization, argued that "the experts do not foresee any major risks at this time, as far as I know. If other states hold part of their gold and foreign currency reserves in rubles, this will not make our economy weaker; it will make it stronger, for a clear set of reasons." He said this even though Russian experts had indeed already pointed out a variety of potential risks, including constraints on the Russian Federaiton's ability to operate on

7 Energy resources accounted for 65 percent of the Russian Federation's total exports in 2011 (World Bank, 2011b). The Russian Federation ranked thirty-ninth of 62 countries in the World Economic Forum (WEF) *Financial Development Report 2012* (WEF, 2012); in 2011 trade, the Russian Federation ranked ninth internationally in merchandise exports, seventeenth in merchandise imports, twenty-second in commercial services exports and fifteenth in commercial services imports (World Trade Organization [WTO], 2012); the Russian Federation ranked 133 of 174 countries in the 2012 Transparency International (TI) "Corruption Perceptions Index," the lowest of the G20 and BRICS (TI, 2012); the Russian Federation ranked 120 out of the 183 economies assessed in the World Bank's *Doing Business 2012: Doing Business in a More Transparent World* report (World Bank, 2012); and 2012 inflation was running at 6.5 percent (Bank of Finland [BOFIT], 2012).

foreign exchange markets or to control capital flows.[8] Russian presidential aide Arkady Dvorkovich repeatedly stated that the Medvedev government had developed a concrete strategy for making the Russian ruble first a regional reserve currency and then an international currency: "one must have a strategy, and a strategy we have — a long-term strategy."[9] Russian First Deputy Prime Minister Shuvalov was the most outspoken government supporter of this plan, while then Finance Minister Kudrin remained skeptical ("Kudrin on the Future," 2009). Shuvalov saw the ruble's regional expansion as a stepping stone to its emergence as a world currency, observing that, in the future, the ruble could be used as a reserve currency in the PRC, India and the Middle East ("The Ruble and the Yuan," 2009). In order to increase Moscow's attractiveness as an international financial centre and to promote the ruble's use abroad, the Russian Finance Ministry placed three large ruble-denominated Eurobonds in 2011-2012. Even more recently, the Russian Federation opened a new central securities depository in Moscow in November 2012, laying the groundwork for opening the domestic treasury bond (federal loan obligations) market to Euroclear settlements in early 2013.

Regardless of the limited potential for the ruble to emerge as a world currency, setting ruble internationalization as a goal has served domestic political, economic and symbolic purposes in the Russian Federation. Russian leaders have cited this goal as a reason to restrain inflation, maintain budgetary discipline, diversify the economy and deepen the financial sector, all of which are key elements of *Strategy 2020*, the medium-term economic development program commissioned by Putin and released in March 2012.[10] At a major 2008 Russian academic conference, Association of Russian Banks President Garegin Tosunian identified and criticized ruble internationalization as precisely such a political move to justify the restrictive Central Bank of Russia (CBR) monetary policy (Bazhan, 2008). As a political tactic, it may also build more support for stabilization and modernization among economic nationalists who view an internationalized ruble as a symbol of a strong Russian Federation. Most centrally, Russian leaders' insistence on the ruble's future as a potential world currency also rhetorically legitimates and reinforces their more realistic goal of turning the ruble into a viable regional currency.

The Ruble's Potential as a Regional Currency

Before the Soviet Union fell apart, the non-convertible Soviet ruble was used throughout all 15 Soviet republics. Despite initial Russian and IMF efforts to maintain the ruble zone after the Soviet collapse, it disintegrated progressively from 1992 through 1995, as the Soviet successor states either proactively left or were forced out when Russian officials made it clear that any states remaining in the ruble zone would have to do so on Russian terms.[11]

8 See, for example, S. Moiseev, "Ruble as a Reserve Currency." [In Russian.] *Voprosy Ekonomiki* 9 (2008).

9 See "Reserve Currency: Shuvalov vs. Kudrin." [In Russian.] *Interfax*, June 6, 2009, available at: www.finmarket.ru/z/nws/hotnews.asp?id=1189889 and "Dvorkovich: The Ruble Can Become a Reserve Currency, but Accompanied by a Budget Deficit." [In Russian.] September 15, 2009, available at: http://bankir.ru/novosti/s/advorkovich-rybl-mojet-stat-rezervnoi-valutoi-odnako-eto-sopryajeno-s-deficitom-budjeta-2421969/.

10 See: http://2020strategy.ru/. [In Russian.]

11 See Juliet Johnson (2000), *A Fistful of Rubles: The Rise and Fall of the Russian Banking System*, Cornell University Press; Rawi Abdelal (2000), *National Purpose in the World Economy: Post-Soviet States in Comparative Perspective*, Ithaca, NY: Cornell University Press; and Rawi Abdelal (2003), "Contested Currency: Russia's Ruble in Domestic and International Politics." *The Journal of Communist Studies and Transition Politics* 19, no. 2.

During the 1990s, the Russian Federation was in no position to reassert monetary sovereignty over the territory of the former Union of Soviet Socialist Republics (USSR). The Russian Federation itself had become significantly dollarized and barter-ridden, unable to maintain even domestic monetary sovereignty (Woodruff, 1999). At the same time, many of the former Soviet republics, now independent, gravitated formally or informally towards other world currencies (for example, the Baltic states toward the US dollar and then the euro, and the Caucasian states toward the US dollar). While the Russian Federation and Belarus began talks on restoring a currency union between the two countries as early as 1994, these efforts repeatedly faltered on fundamental issues of governance.

The Russian Federation's remarkable economic resurgence under Putin, achieved through high international oil prices and conservative macroeconomic policy making, provided the Russian government with new leverage. The Russian Federation carried out an aggressive and reasonably successful de-dollarization campaign in 2006-2007, with Putin promoting the ruble domestically and internationally (Johnson, 2008). The financial crisis of 2008 provided a further opportunity to expand the ruble's influence in neighbouring states, because the US dollar took such a beating that the Russian ruble became more plausible as a regional currency. As Medvedev observed in 2009:

> Before the crisis, the idea that more or less prevailed was that we needed three or four global currencies to ensure the overall financial and economic balance, namely the dollar, the euro, the pound sterling, the yen, and that was it. Now it is clear that even these four currencies are not up to the task, that we need regional reserves. The ruble is an absolutely perfect candidate for this purpose. Of course the question is how attractive the ruble would be to people. It's not a question of imposing the ruble on our partners. They have to say: "You know, we would like to trade in rubles." And by the way this is already happening. Our partners such as Belarus and Kazakhstan and some other countries are saying: "Yes, we would like to carry out a significant part of these transactions in rubles," which is in fact what has happened. The stronger the ruble gets, the sooner we can start to trade energy resources in rubles and not in dollars or some other foreign currency, and the easier it will be to move on the idea of the ruble as a reserve currency. We will continue these consultations with our closest partners without fail. (Medvedev, 2009a)

At a major April 2008 conference on ruble internationalization, Sergei Glazyev, the director of the Institute of New Economics of the State University of Management and a former government minister, stated firmly that "in order not to lose, our country must carry out active [ruble promotion] if only in the economic zone where we actually dominate — the CIS [Commonwealth of Independent States]" (Bazhan, 2008). He suggested that the Russian Federation needed to promote the ruble more aggressively in the near abroad by extending ruble credits to the CIS countries to pay for Russian exports, adopting a modern inflation-targeting policy and freezing tariffs to restrict inflation. At the same conference, the former CBR (and Gosbank) governor Viktor Gerashchenko agreed, arguing that although no currency seemed

poised to replace the US dollar on the world scene, in the CIS the ruble could indeed become a reserve currency or even the core of a currency union.

The Eurasian Economic Community (EurAsEC), comprising the Russian Federation, Belarus, Kazakhstan, the Kyrgyz Republic and Tajikistan, seemed the most logical route to promote greater regional use of the ruble.[12] Founded in 2000 to promote regional trade integration, the EurAsEC united the Russian Federation with its four most politically friendly post-Soviet states. Additionally, the Russian Federation and Kazakstan co-founded the Eurasian Development Bank (EDB) in 2006 (headquartered in Almaty); Armenia, Tajikistan, Belarus, and the Kyrgyz Republic all joined the EDB between 2009 and 2011. The 2010 Customs Union (CU) of the Russian Federation, Belarus and Kazakhstan then emerged through the EurAsEC governance structures, creating a two-tiered system within EurAsEC. The EurAsEC and CU facilitated greater economic integration and a rise in trade among member states (Cooley, 2012). Explicitly modelled on the European Union (EU), the CU reintroduced itself as a Single Economic Space (SES) in January 2012.

Putin has made no secret of his plans to widen and deepen the SES by turning it into an Eurasian Economic Union (EEU) modelled on the EU and to use it as a vehicle for promoting the use of the ruble in the "near abroad." As he noted, "we are creating the [CU] and the [SES], and the ruble will fight for its niche in a dignified way" ("Russian Rouble Can Become," 2011). Indeed, the ruble's use in the region has grown. According to the Central Bank of Russia's Alexander Potemkin, as of 2009, the ruble was used in approximately 48 percent of trade within EurAsEC, including, for example, 25 percent of the trade volume between Kazakhstan and Belarus (Potemkin, 2010). Potemkin further emphasized, of course, that to further expand the ruble's influence, the Russian Federation would need to maintain conditions of macroeconomic stability and create incentives for its neighbours to increase their reliance on the ruble. In a more recent overview, I. N. Liukevich of the St. Petersburg International Banking Institute argued that the ruble has a serious chance to become a regional reserve currency within the EurAsEC (Liukevich, 2011). Regarding payments between the Russian Federation and other post-Soviet states, he noted that by early 2011, 59 percent with Kazakhstan were denominated in rubles, as were 57 percent with Belarus, 31 percent with Tajikistan and 25 percent with the Kyrgyz Republic (ibid.). By this time, 33 percent of settlements between Belarus and Kazakhstan used Russian rubles as well. In fall 2012, the EDB placed US$434 million of ruble-denominated Eurobonds following two earlier successful sales of US dollar-denominated Eurobonds (Skvarsky, 2012).

Many Russian leaders looked for more: a common currency, ideally the ruble, in the eventual EEU. In particular, First Deputy Prime Minister Shuvalov pushed early on for a single currency in the Russian Federation, Belarus and Kazakhstan — "It might be the ruble, it might be some new currency" — as he pointed out in June 2009 that such talks were already actively underway ("The Ruble and the Yuan," 2009). Finance Minister Kudrin, however, was less sanguine, pointing out that, even to create a new local currency union, the Russian Federation would need to improve its macroeconomic indicators and financial legislation. Shuvalov again promoted the idea at a key 2010 Russian economic forum, arguing that the CBR supported this plan. As one Russian financial analyst observed, disagreement on the idea persisted at the highest levels of government: "The Kremlin has not yet decided whether or not to

12 This is the main point upon which Kudrin agreed; see, for example, his statements [in Russian] in IA Finmarket, October 13, 2009, available at: www.ria-arbitr.ru/news.htm?id=34632.

make the ruble a regional currency, and Shuvalov is using the Krasnoyarsk forum as a powerful venue to express his point of view" (Makarenko and Vdovenkova, 2010). Opposing voices were raised both in the Finance Ministry and the Ministry of Economic Development. Then, at the June 2012 Eurasian Forum, Prime Minister Medvedev proposed using a single currency within the emerging EEU, saying that it would allow the Russian Federation to increase its trade and investments in member countries (Metelitsa and Sitnina, 2012).

Charter CU members Belarus and Kazakhstan, however, were cool toward this idea. While, in remarks made in late 2011, Belarussian President Alexander Lukashenka left the door open to using the Russian ruble, he mentioned the experience of the euro as a cautionary tale and suggested that he was more comfortable just moving to using Russian rubles (rather than US dollars) for mutual payments. Meanwhile, Kazakh President Nursultan Nazarbayev observed that if there were to be a common currency in the EEU, it should be a new currency with a new name, rather than the ruble, and could only be considered after the EEU had proven itself mutually beneficial for its members in other respects ("Russian Ruble Might Become," 2011).

Bowing to the inevitable, Putin conceded in October 2012 that the EEU would not have a common currency. Putting a positive spin on this development, he stated that:

> Coming now to the Common Economic Area, in large part, we took the integration achievements in Europe as our reference model here. We do have a few advantages of our own though…we have the Russian language that unites us as a natural common language of interstate communication, and this is a huge advantage. Furthermore, the infrastructure system — railways, energy sector infrastructure, aviation links — though we consider it still in need of further development, lays a solid base on which to build integration…We decided that each country would use its national currency. On the one hand, this is bad because it does not let the ruble strengthen its position, but at the same time it is good, because each country can implement its own economic policy. When it comes to this area we need to take the [EU]'s failures into account. We need to look at the debt situation there, the macroeconomic situation, the situation with the other main economic development factors, and the effect the common currency has had in the EU…And so, before we ever contemplate introducing a common currency between Russia, Kazakhstan, and Belarus, we would first need to harmonise our macroeconomic and financial policy. We would need to draw up common and strictly regulated policy with regard to the main economic development factors and only then start looking at the possibilities for introducing a common currency… Only then could we move on to a deeper stage of integration. (Putin, 2012a)

By referencing the euro's problems and by emphasizing the EEU's advantages of shared language and infrastructure, Putin rhetorically positioned the EEU an emerging economic community that would

share the strengths of the EU while avoiding its weaknesses. Moreover, Putin's plans do still include, of course, a prominent role for the Russian ruble in the EEU after its planned inauguration in 2015.

THE RUSSIAN FEDERATION AND THE RMB

How do Russian leaders' concerns about the IMS and ambitions for ruble internationalization impact their views towards the PRC and the RMB? Since his re-election in March 2012, Russian President Vladimir Putin's foreign policy orientation has turned more towards Asia. For example, Putin used his role as host of the 2012 meeting of the Asian-Pacific Economic Cooperation (APEC) group in Vladivostok to promote Russian interests in Asia. First Deputy Prime Minister Shuvalov, the point person for the Russian Federation's year-long leadership of APEC, stated explicitly that the Russian Federation sought to increase its trade with the APEC region from less than 25 percent to over half (Doff, 2012). Putin and Medvedev also emphasized the importance of the Russian Federation's trade and investment relationships with the PRC specifically, expressing the desire to increase the Russian Federation's trade with the PRC to over US$100 billion per year by 2015 and to US$200 billion by 2020. The PRC became the Russian Federation's top trading partner in 2011, with US$83.5 billion in mutual trade turnover; the Russian Federation is the PRC's eighth-largest trading partner. For Russian leaders, the PRC represented not only a desirable economic partner, but a key ally in the struggle to rebalance the international system away from its US-European pole.

In the monetary realm, Russian political and business leaders have worked together to increase their currency cooperation with the PRC in a number of ways. In late December 2010, the Russian Federation's MICEX exchange (now the Moscow Exchange after its merger with the Russian Trading System) began RMB-ruble trading following the PRC's own launch of RMB-ruble exchange trading the previous month. While actual trade volumes have remained very low, in 2013, the exchange plans to eliminate its 100 percent advance deposit rule for RMB trading and thereby encourage more activity (Iosebashvili and Mauldin, 2010; "Moscow to Put Chinese Yuan," 2012).

The Russian Federation's Vneshtorgbank (VTB), a major state-owned bank, announced in October 2011 that it would begin accepting deposits in RMB (Doff, 2011). As a key currency diversification move in December 2010, VTB also became the first non-Asian emerging market company to issue dim sum bonds; it followed this first successful issue with another one in October 2012. Major Russian energy producers Gazprom and Lukoil have expressed interest in pursuing borrowing arrangements in RMB.[13]

In terms of trade, the two countries first agreed in 2002 to encourage reciprocal transactions in local currencies near the border. In 2005, this agreement was extended to trade contracts. As Potemkin (2010) notes, after the financial crisis began in 2008, there was a significant increase in the use of local currencies for these border transactions. In September 2012, the two countries agreed to use each other's currencies to settle a portion of Russian natural gas imports to the PRC. Putin has expressed approval for expanding the use of rubles and RMB to service the

13 See Anna Shiryaevskaya and Ksenia Galouchko (2012), "Lukoil Advances Most in 3 Months on Hong Kong Listing Plan," *Bloomberg*, May 29, available at www.businessweek.com/news/2012-05-29/lukoil-advances-to-two-week-high-on-hong-kong-listing-plan; and Halia Paliva (2011), "Gazprom May Borrow in Chinese Yuan this Year, CFO Kruglov Says," *Bloomberg*, February 17, available at: www.bloomberg.com/news/2011-02-17/gazprom-may-borrow-in-chinese-yuan-this-year-cfo-kruglov-says.html.

countries' bilateral trade more broadly, and signed an agreement to that effect with Chinese Premier Wen Jiabao in late 2011. As Putin said in October 2012, "I would really like it if after the first steps in sales in the yuan-ruble pair were taken subsequent steps were taken, so that we begin the real servicing of our trade turnover in [our] national currencies…This is not as easy as it looks at first glance. We have already taken the first steps, however, and will continue to move in this direction, all the more so as Chinese specialists are very interested in the idea too and welcome the use of our national currencies in mutual settlements" (2012a).

At the same time, however, Russian government leaders may be concerned if the RMB challenges the existing or potential international reach of the ruble. This is true both in the Russian Far East itself and, especially, in the Central Asian region, where Russian and Chinese economic interests are not necessarily complementary. The Central Asian situation became a growing concern for Russian leaders after the 2008 financial crisis, when, for the first time, Chinese trade volumes in Central Asia outstripped those of the Russian Federation. The financial crisis not only erased the Russian Federation's lead in Central Asian trade, but also gave the PRC the opportunity to make advances in Central Asian energy sectors and to reinforce infrastructure and financial ties in Central Asia that excluded the Russian Federation. The PRC is now a quiet yet formidable presence in the region (Cooley, 2012).

Indeed, the Russian Federation's *Strategy 2020* plan, released in March 2012, explicitly cast the ruble and RMB as competitors on the international and regional financial scenes. Here are excerpts from three key passages of the report:

> The main external risks for Russia are connected with the following factor: the strengthening of new centers of economic power, in particular [the People's Republic of] China…in connection with this one can emphasize…the course of the internationalization of the yuan, which will gradually transform the yuan into a global settlement currency, and then an investment and reserve currency. In the most realistic scenario, by 2020 the first step will be completed — turning the yuan into a world settlement currency. However, in the case of the more radical scenario in which [the People's Republic of] China turns to emitting a regional (and possibly, a world) reserve currency, this could lead to instability in the international financial system, to limits on the possibility to use the Russian ruble in international settlements, and to "currency wars."
>
> The strengthening of the position of [the People's Republic of] China in Central Asia could undermine the prospects for further development in the region of Russia's integration projects (competition for the region's energy resources, the weakening of customs control on the southern border of the [CU] between Kazakhstan and [the People's Republic of] China, the disruption of plans for the further development of the [CU]).
>
> The new, more active negotiating and interventionist conduct of [the People's Republic of] China as a "wealthy newcomer" in the "club of world leaders," the strengthening of the G2 (the US and [the People's Republic of] China) in managing global economic processes, and the growing influence of [the

> People's Republic of] China in the IMF and WTO is to the detriment of third countries, including Russia. (*Strategy 2020*, 2012)

Although Russian political leaders would never jeopardize their relationship with the PRC by speaking so bluntly — and *Strategy 2020* is not a government publication per se — Russian leaders' words and actions regarding RMB internationalization do reflect a certain level of concern. President Putin has typically mentioned RMB and ruble internationalization at the same time and treated them as equivalents. Putin's remarks at the 2012 APEC meeting aptly illustrated this stance, when his otherwise long, detailed opening statement at the meeting conspicuously avoided any reference to currency issues, despite a clear invitation by the moderator to address them. When then asked directly in the question period, he responded by saying:

> Our moderator today mentioned new potential regional reserve currencies, and they really are developing; we often hear about the Canadian dollar, the Australian dollar, and the yuan, which is getting stronger. Indeed, the ruble can also become a reserve currency since it is increasingly used in transactions in post-Soviet countries. Between business partners the volume of transactions in rubles amounts to around 60 or 70 percent in some countries of the former Soviet Union, hence this is a natural process. (Putin, 2012b)

Putin then emphasized the Russian Federation's increasing macroeconomic stability, low external debt and extensive foreign exchange reserves (over US$500 billion), as well as the government's intention to strengthen the banking system, all of which are prerequisites to currency internationalization. In the end, Putin (2012b) stated that "Naturally, the use of regional currencies will strengthen the international financial system."[14]

Within the BRICS framework, the Russian Federation has resisted Chinese efforts to exert control over the proposed new joint BRICS development bank — which the BRICS partners envision as a possible alternative to the World Bank — in great part because the Russian Federation thinks that the PRC aims to use it to promote the RMB in the Russian Federation's backyard.[15] Similarly, the BRICS may decide to denominate their regional crisis fund in US dollars or SDRs simply because BRICS members such as the Russian Federation do not want to privilege one BRICS currency over the others (Kuzmin, 2012).

The Russian Federation's own domestic overtures to the RMB have been gradual and typically based on reciprocity, as existing arrangements for ruble-RMB trading and settlement indicate. Vladimir Dmitriev, the head of the Russian Federation's powerful Vneshekonombank (VEB), reinforced this message at the 2012 APEC summit when he mentioned VEB's recent agreements with BRICS countries to trade in national currencies, followed by "Of course this is an issue which is apart from the global task

14 One Russian banker noted that when Putin talks in general terms about the importance of establishing new regional reserve currencies, what he means is promoting the use of the ruble in the so-called "near abroad" (the post-Soviet states). See Anna Koroleva (2011), "The Ruble is Gradually Becoming a Reserve Currency, Fighting for a Worthy Place in the World Financial System" [in Russian], *Expert Online*, August 2, available at: http://expert.ru/2011/08/2/ten-natsionalnoj-ekonomiki/.

15 See Brahma Chellaney (2012), "The Cracks in the BRICS," *Daily News Egypt*, March 23, and Abhrajit Gangopadhyay and Anant Vijay Kala (2012), "WSJ Update: Brics Nations Push for Faster Change at IMF," *Dow Jones News Service*, March 29.

to make Moscow an international financial centre, and it's obvious that finding a proper solution we have to look at our neighbour countries like Ukraine or Kazakhstan and Belarus…that task is to provide bilateral trade to be secured by the local currencies and the ruble first and foremost" ("Russian Rouble Can 'Claim,'" 2012). The Russian government holds no reserves in RMB and has no plans to do so, as Russian officials have made it clear that the RMB does not yet have the international stature necessary for the Russian Federation to include it as a reserve currency. As CBR deputy governor Alexei Uliukaev unambiguously stated in March 2012, "We will not hold one yuan in reserve" until the PRC lifts capital restrictions and the IMF accepts the RMB into its basket of currencies (Uliukaev, 2012).

Putin, in particular, has on several occasions been somewhat dismissive of the RMB's future as a reserve currency. While promoting the idea of the ruble as a regional currency, he pointed out that "the ruble is quite a stable, reliable and freely convertible currency, unlike the Chinese yuan" (quoted in "Russian Rouble Can Become," 2011). In another example, in an otherwise pro-PRC set of remarks, Putin replied to a question about the RMB by stating, "What should we do? Keep our foreign currency reserves in yuan while [the People's Republic of] China is keeping its in dollars? That would be an interesting situation, a bit like a matrioshka doll" (quoted in Doff, 2011). The only Russian official who regularly mentioned the RMB as a viable potential international reserve currency without insisting on the parallel status of the ruble was the internationally respected Finance Minister Alexei Kudrin, who left the government in September 2011.[16]

RUSSIAN RHETORIC, CHINESE REALITIES

Russian leaders face a difficult challenge in extending the ruble's use in regional reserves and transactions. Not only is Chinese influence in Central Asia growing, but the US dollar's influence remains strong throughout the post-Soviet sphere, accounting for 99 percent of settlements between Kazakhstan and Tajikistan in the most extreme example (Liukevich, 2011). Even relatively pro-Russian Kazakh officials have spoken cautiously about the ruble's potential role as a reserve currency. Kazakh central bank governor Grigori Marchenko said that the country would consider adding rubles, South Korean won, Brazilian real and RMB to its reserves, but without significantly decreasing its US dollar or euro holdings (Gizitdinov, 2011). Similarly, Kazakh Minister of Economic Trade and Development Kairat Kelimbetov stated that "Russia is setting an ambitious goal to turn its national currency into a global reserve currency. However, even the Chinese [RMB] is not yet fully ready for that. If we talk of some reserve currency in our region, it should be a basket of the Chinese [RMB], the Russian ruble, and the Kazakh tenge. We should not politicize the issue" (Gabuev and Kostantinov, 2011).[17]

Other regional economic partners have approached Russian overtures with caution as well. The Russian

16 See, for example, "The Ruble and the Yuan" (2009); "Kudrin on the Future" (2009); and "Russian Rouble Can Become" (2011).

17 In implicit exchange for low-cost Russian arms, Kazakhstan did agree in March 2012 to use the ruble for military imports from Collective Security Treaty Organization (CSTO) members, which include the Russian Federation, Armenia, Belarus, Kazakhstan, Kyrgyz Republic, Tajikistan and, on and off, Uzbekistan. Even this move, however, led to serious debates in the Kazakh parliament, where some members argued that the Russian ruble had no more claim to such privileged status than did the Kazakh tenge. See "Kazakhstan to Use Ruble for CSTO Military Imports" (2012), *Voice of Russia*, March 15, available at: http://english.ruvr.ru/_print/68558903.html.

Federation, Belarus, Kazakhstan, Armenia, the Kyrgyz Republic, Moldova, Tajikistan and Ukraine agreed in October 2011 to create a free-trade zone, but only the Russian Federation, Belarus and Ukraine have ratified the agreement so far (Ukraine doing so under pressure of a Russian cheese import ban).[18] In 2011, Ukrainian central bank governor Serhiy Arbuzov suggested that Ukraine might begin to use the ruble in its reserves after the Russian Federation agreed to allow Ukraine to pay for part of its natural gas imports in rubles rather than US dollars, but later grew more equivocal.[19] The CU may also have difficulty expanding. Although the Kyrgyz Republic has agreed in principle to join, the governments of Armenia, Azerbaijan, Tajikistan, Moldova and Ukraine have rebuffed Russian suggestions to do so (Fenenko, 2012).

Moreover, as Oleg Barabanov (2012) observed, the Russian Federation had to make major concessions to Belarus and Kazakhstan when forming the original CU: "Suffice it to mention the possibility of 'gray' re-exports of foreign goods to the Russian Federation. Sometimes Chinese-made goods were declared as products of Kazakhstan and were brought to the Russian Federation within the CU space without paying the applicable import duties."The post-Soviet countries have worked hard to extract concessions from the Russian Federation in exchange for agreeing to Russian integration efforts.

Russian leaders must decide, in essence, how much and how quickly they are willing to pay in order to institutionalize regional economic leadership in their "near abroad" through formal agreements and organizations, including those that promote greater use of the ruble. Regardless of the Russian Federation's decisions, the ruble will not displace the US dollar's central role as the international currency of choice in Eurasia any time soon, while the PRC's increasing economic influence in Central Asia and on the international scene more broadly presents Russian leaders with a growing dilemma: how to develop an economic partnership with the PRC that does not leave the Russian Federation as a junior partner, mere raw materials exporter or former regional leader.

In sum, the Russian Federation and the PRC share common interests in moving towards a multicurrency world and have advanced that agenda together through the BRICS and G20. As a part of that effort, Russian leaders see RMB internationalization as one potential alternative to the US dollar and have supported using the RMB in bilateral relations with the PRC. At the same time, Russian leaders actively promote the ruble internationally and regionally, and are concerned about the implications for Russian economic influence — especially in Central Asia, if the RMB's role races ahead of the ruble. Russian efforts to advance these two different policy agendas may increasingly pull Russian policy in contradictory directions, especially given the RMB's advantages in the internationalization process.

18 See "Ukraine Approves CIS Free-Trade Zone Agreement" (2012), BOFIT Weekly 31, August 3, available at: www.suomenpankki.fi/bofit_en/seuranta/viikkokatsaus/Documents/w201231.pdf.

19 See "Ukraine Intends To Make Ruble Reserve Currency in 2012, Says NBU Governor," (2011), *Interfax: Ukrainian General Newswire*, December 9.

WORKS CITED

Barabanov, Oleg (2012). "Customs Union and Eurasian Union: Problems on the Road to Integration." *Valdai Discussion Club*, April 11. Available at: http://valdaiclub.com/near_abroad/41060.html.

Bazhan, A. I. (2008). "The Russian Ruble — A World Reserve Currency?" [In Russian.] *Den'gi i Kredit* 7.

BOFIT (2012). BOFIT Russia Statistics. Available at: www.suomenpankki.fi/bofit_en/seuranta/venajatilastot/Pages/default.aspx.

Boudreaux, Richard (2011). "Dump 'Parasite' US and the Greenback, Urges Putin." *The Australian*, August 3.

Cooley, Alexander (2012). *Great Games, Local Rules: The New Great Power Contest in Central Asia*. New York: Oxford University Press.

Doff, Natasha (2011). "China in the Spotlight." *The Moscow News*, October 10. Available at: http://themoscownews.com/business/20111010/189109924.html.

——— (2012). "Shuvalov Calls for Russia to Look East." *The Moscow News*, August 29. Available at: www.themoscownews.com/business/20120829/190153862.html.

Fenenko, Alexei (2012). "Russia's Eurasian Priorities." *Valdai Discussion Club*, September 19. Available at: http://valdaiclub.com/near_abroad/49020.html.

Gabuev, Alexander and Alexander Kostantinov (2011). "While There Is a Delay in the Relationship, Others Replace." [In Russian.] *Kommersant Online*, August 4. Available at: www.kommersant.ru/doc/1690893.

Gizitdinov, Nariman (2011). "Kazakhstan May Add Russian Ruble, Korean Won, Brazilian Real to Reserves." *Bloomberg*, September 7. Available at: www.bloomberg.com/news/2011-09-07/kazakhstan-may-add-russian-ruble-korean-won-brazilian-real-to-reserves.html.

Iosebashvili, Ira and William Mauldin (2010). "Update: Russia's Micex Exchange Launches Yuan-Ruble Trading." *Dow Jones News Service*, 15 December.

Johnson, Juliet (2008). "Forbidden Fruit: Russia's Uneasy Relationship with the Dollar." *Review of International Political Economy* 15, no. 3: 377–396.

Karaganov, Sergei (2012). "Contradiction of Contradictions." *Valdai Discussion Club*, November 26. Available at: http://valdaiclub.com/russia_and_the_world/51880.html.

"Kudrin on the Future of the Ruble and Banks" (2009). [In Russian.] *IA Finmarket*, October 13. Available at: www.ria-arbitr.ru/news.htm?id=34632.

Kuzmin, Viktor (2012). "BRICS Create Their Own Financial Institutions." [In Russian.] *Russia Beyond the Headlines*, November 21. Available at: http://rbth.ru/articles/2012/11/21/brics_create_their_own_financial_institutions_20285.html.

Liukevich, I. N. (2011). "Perspectives of the Ruble as a Reserve Currency." [In Russian.] *Currency Regulation and Currency Control* 3.

Makarenko, Alexander and Valeria Vdovenkova (2010). "Shuvalov Sends off the Ruble to Reserve." [In Russian.] *VZ.ru*, February 12. Available at: www.vz.ru/economy/2010/2/12/375483.html.

Maziad, Samar et al. (2011). "Internationalization of Emerging Market Currencies: A Balance between Risks and Rewards." IMF Staff Discussion Note, SDN/11/17, October 19.

Medvedev, Dmitry (2008). "Speech at 12th Petersburg International Economic Forum." June 7. Available at: http://archive.kremlin.ru/eng/speeches/2008/06/07/1338_type82914type127286_202288.shtml.

——— (2009a). "Excerpts from Transcript of Meeting with Members of Liberal Democratic Party of Russia." May 28. Available at: http://archive.kremlin.ru/eng/text/speeches/2009/05/28/2101_type82917type84779_216956.shtml.

——— (2009b). "Interview with *Kommersant*." June 4. Available at: http://archive.kremlin.ru/eng/text/speeches/2009/06/04/1312_type82916_217709.shtml.

Metelitsa, Ekaterina and Vera Sitnina (2012). "Back to the USSR: A Unified Currency Is only the First Step." [In Russian.] *Slon*, June 15. Available at: http://slon.ru/economics/back_to_the_ussr_edinaya_valyuta_tolko_pervyy_shag-799342.xhtml.

"Moscow to Put Chinese Yuan on Equal Footing with Dollar and Euro" (2012). *Russia Beyond the Headlines Asia*, October 22. Available at: http://rbth.asia/articles/2012/10/22/moscow_to_put_chinese_yuan_on_equal_footing_with_dollar_and_euro_17461.html.

Potemkin, A. (2010). "On Strengthening the Russian Ruble in the International Transactions." [In Russian.] *Den'gi i Kredit* 8.

Putin, Vladimir (2012a). "Meeting with Valdai International Discussion Club Participants." October 25. Available at: http://eng.kremlin.ru/news/4564.

——— (2012b). "Vladimir Putin Takes Part in the APEC CEO Summit." Transcript from APEC website. September 7. Available at: www.apec2012.ru/news/20120907/462942656.html.

"The Ruble and the Yuan: Which is Closer to a Reserve Currency?" (2009). [In Russian.] *RIA Novosti*, June 6. Available at: http://news.mail.ru/economics/2642989/.

"Russian Rouble Can Become Regional Reserve Currency — Putin (Adds)" (2011). *ITAR-TASS*, August 1. Available at: www.itar-tass.com/en/c154/196428.html.

"Russian Rouble Can 'Claim the Role of Reserve Currency'" (2012). *Russia Today (RT)*, September 7. Available at: http://rt.com/business/news/ruble-reserve-currency-putin-616/.

"Russian Ruble Might Become Single Currency in Eurasian Economic Union, Lukashenka Says" (2011). *Naviny.by*, November 11. Available at: http://naviny.by/rubrics/english/2011/11/21/ic_news_259_381073/.

Sender and Leahy (2012). "China Offers other BRICS Renminbi Loans." *Financial Times*, March 7. Available at: www.ft.com/cms/s/0/3e46ac04-67fd-11e1-978e-00144feabdc0.html#axzz2IzdjOOHL.

Siluanov, A. G. (2012). "Interview with *Prime*." [In Russian.] June 1. Available at: www1.minfin.ru/ru/press/interview/index.php?id4=16489.

Skvarsky, Andrei (2012). "Raiffeisen, Sberbank Co-run Eurasian Development Bank's Eurobond Sale." *Emerging Markets.me*, October 3. Available at: www.emergingmarkets.me/2012/10/raiffeisen-sberbank-co-run-eurasian-development-banks-eurobond-sale/.

Strategy 2020: A New Model of Growth – A New Social Policy. (2012). [In Russian.] Pages 806-807. Available at: http://2020strategy.ru/documents/32710234.html.

TI (2012). "Corruption Perceptions Index 2012." Berlin: TI. Available at: www.transparency.org/cpi2012/results.

Uliukaev, A. V. (2012). "Interview with First Deputy Chairman of the Bank of Russia A. V. Uliukaev." [In Russian.] *Rossiskaia gazeta*, March 13. Available (in Russian) at: www.cbr.ru/pw.aspx?file=/press/press_centre/Ulyukaev_RG_13032012.htm.

Vedev, A. et al. (2010). "Structural Modernization of Russia's Financial System." *Problems of Economic Transition* 53, no. 8: 51–67.

WEF (2012). *Financial Development Report 2012*. Geneva: WEF. Available at: http://reports.weforum.org/financial-development-report-2012/.

Woodruff, David M. (1999). *Money Unmade: Barter and the Fate of Russian Capitalism*. Ithaca, NY: Cornell University Press.

World Bank (2011a). *Global Development Horizons 2011 — Multipolarity: The New Global Economy*. Washington, DC: The World Bank. Available at: www.worldbank.org/gdh2011.

——— (2011b). *World Development Indicators: Russian Federation*. Available at: http://data.worldbank.org/country/russian-federation#cp_wdi.

——— (2012). *Doing Business 2012: Doing Business in a More Transparent World*. Washington, DC: The World Bank. Available at: www.doingbusiness.org/reports/global-reports/doing-business-2012.

WTO (2012). Statistics Database Trade Profile: Russian Federation. Available at: http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=E&Country=RU.

Zubova, Elena (2011). "Eight Reasons Why the Ruble Will Not Become a Reserve Currency." [In Russian.] *Slon*, October 26. Available at: http://slon.ru/economics/8_prichin_pochemu_rubl_ne_stanet_rezervnoy_valyutoy-691951.xhtml#pager.

ABOUT ADB

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to two-thirds of the world's poor: 1.7 billion people who live on less than $2 a day, with 828 million struggling on less than $1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

ABOUT HKIMR

Established by the Hong Kong Monetary Authority in August 1999, the Hong Kong Institute for Monetary Research (HKIMR) conducts research in the fields of monetary policy, banking and finance that are of strategic importance to Hong Kong and the Asia region.

The Institute is funded by grants from the Exchange Fund, with its annual budget subject to the approval of the Exchange Fund Advisory Committee. The Institute's objectives are to:

- Promote research on longer-term and wider policy issues/options of relevance to the monetary and financial development of Hong Kong and the Asia region.
- Foster cooperation and cross-fertilisation of research efforts between academics, analysts and the HKMA research activities, and to establish links and exchanges with research institutes in Hong Kong, the Mainland and the regional economies.
- Facilitate central bank cooperation in research activities and contributing to policy analysis of strategic issues affecting monetary and financial developments in Asia.

ABOUT CIGI

The Centre for International Governance Innovation is an independent, non-partisan think tank on international governance. Led by experienced practitioners and distinguished academics, CIGI supports research, forms networks, advances policy debate and generates ideas for multilateral governance improvements. Conducting an active agenda of research, events and publications, CIGI's interdisciplinary work includes collaboration with policy, business and academic communities around the world.

CIGI's current research programs focus on four themes: the global economy; global security; the environment and energy; and global development.

CIGI was founded in 2001 by Jim Balsillie, then co-CEO of Research In Motion (BlackBerry), and collaborates with and gratefully acknowledges support from a number of strategic partners, in particular the Government of Canada and the Government of Ontario.

Le CIGI a été fondé en 2001 par Jim Balsillie, qui était alors co-chef de la direction de Research In Motion (BlackBerry). Il collabore avec de nombreux partenaires stratégiques et exprime sa reconnaissance du soutien reçu de ceux-ci, notamment de l'appui reçu du gouvernement du Canada et de celui du gouvernement de l'Ontario.

CIGI MASTHEAD

Managing Editor, Publications
Carol Bonnett

Publications Editor
Jennifer Goyder

Publications Editor
Sonya Zikic

Assistant Publications Editor
Vivian Moser

Media Designer
Steve Cross

EXECUTIVE

President
Rohinton Medhora

Vice President of Programs
David Dewitt

Vice President of Public Affairs
Fred Kuntz

Vice President of Finance
Mark Menard

COMMUNICATIONS

Communications Specialist
Declan Kelly
dkelly@cigionline.org
1 519 885 2444 x 7356

Public Affairs Coordinator
Kelly Lorimer
klorimer@cigionline.org
1 519 885 2444 x 7265

6 ADB Avenue
Mandaluyong City 1550, Philippines
tel + 63 2 632 4444 fax + 63 2 636 2444
www.adb.org

57 Erb Street West
Waterloo, Ontario N2L 6C2, Canada
tel +1 519 885 2444 fax +1 519 885 5450
www.cigionline.org

55th Floor, Two International Finance Centre
8 Finance Street
Central, Hong Kong
tel + 852 2878 1978 fax + 852 2878 7006
www.hkimr.org