

THE ST. PETERSBURG INTERNATIONAL ECONOMIC FORUM – 2009

4–6 JUNE 2009, ST. PETERSBURG

FROM TRUSTING CAPITAL TO CAPITALISING ON TRUST

Moderator:

Leif Pagrotsky, social democratic member of the Swedish Parliament, vice-chairman of Riksbank (Swedish Central Bank)

Panellists:

Dr. Klaus Schwab, Founder and Executive Chairman of the World Economic Forum

Aleksei Kudrin, Deputy Prime-Minister of the Russian Federation – Minister of Finance of the Russian Federation

Herman Gref, Chairman of the Board and CEO of Sberbank

Alessandro Profumo, CEO UniCredit Group

Kairat Kelimbetov, Head of the Samruk-Kazyna National Welfare

Sheikh Khaled Bin Zayed Al Nahyan, Chairman of the Bin Zayed Group

Jacko Maree, Chairman of the Board and CEO of Standard Bank

Niu Ximing, Executive Director and Vice-President of ICBC

Jean Lemierre, Senior Advisor to the Chairman BNP Paribas Group

David Folkerts-Landau, Managing Director, Global Head of Research, Deutsche Bank

Hiromi Yamaji, Executive Managing Director and Global Investment Banking CEO at Nomura Holdings Inc.

The session on *From trusting capital to capitalising on trust* brought together a broad panel of financial and economic experts, with deep financial sector experience from a wide range of global institutions. Of prominence, from the Russia side, the panel included German Gref, CEO of Sberbank, and Alexei Kudrin, minister of finance.

The discussions led by the moderator Leif Pagrotsky, vice-chairman of Riksbank, were centred around the word trust and the role that trust would play in restoring the world's economy to a growth trajectory.

Finance Minister Kudrin opened the debate with his belief that, globally, we had reached a bottoming-out phase. He commented that the many actions taken by governments around the

world were starting to have a positive effect. He was concerned, however, that the actual bubble that had been created by the previous crisis was never actually burst, with the amount of liquidity being pumped in risking a further crisis. The finance minister said he believes there will be no sharp recovery. Jean Lemierre, senior advisor to the chairman of BNP Paribas Group, was in agreement that the bottom has been reached, but was as cautious as his fellow panellist on the chances for a speedy global recovery.

In what became an interactive panel, the audience voted that infrastructure investments and cleaning up of the banking system, where key government policy responses necessary for global recovery. Both Finance Minister Kudrin and Gref suggested that the cleaning up of financial institutions remained a key priority for both Russia's and the global recovery. Moving back to the issue of trust, Dr. Klaus Schwab, founder and executive chairman of the World Economic Forum, was given the floor, and argued that trust would not be restored unless globally countries co-operate to deal with problems in a collective way, in other words, that global challenges need global solutions. Kairat Kelimbetov, head of Samruk Kazyna, also touched on this global vs local debate, stating that the Kazakh banking system was dragged into the crisis due to local issues of asset quality and transparency, and issues of a global nature, given the closure of international funding markets. He believes it is impossible for Kazakhstan to emerge from the crisis on its own, without help from the outside, and that global market support is needed.

Finance Minister Kudrin discussed the need for reform of global financial institutions, inclusive of the world bank and the IMF. He argued that the weight of regions globally within these institutions needs to be more balanced before real trust in their activities, and thus the effectiveness of these institutions, could really be felt. On the regulation front, he spoke of a need for supra-natural regulators and a stronger framework for global international development. The next question posed to the audience and the panel concerned the type of recovery from the current economic crisis – did the audience think it would be V, U, L or W shaped? Over 60% of the audience expressed that they expected a W-shaped recovery from a prolonged, difficult and volatile period for the global economy. The panel broadly agreed. The potential for Russia to become a global financial centre was debated with Gref saying that the process of moving towards this admirable goal was almost as important as the goal itself and while Russia, today, clearly was not a global financial centre, it was an important regional financial centre and was the most logical hub in East Europe to achieve this lofty goal.