

At G20, Kremlin to Pitch New Currency

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By Ira Iosebashvili / The Moscow Times

The Kremlin published its priorities Monday for an upcoming meeting of the G20, calling for the creation of a supranational reserve currency to be issued by international institutions as part of a reform of the global financial system.

The International Monetary Fund should investigate the possible creation of a new reserve currency, widening the list of reserve currencies or using its already existing Special Drawing Rights, or SDRs, as a “superreserve currency accepted by the whole of the international community,” the Kremlin said in a statement issued on its web site.

The SDR is an international reserve asset, created by the IMF in 1969 to supplement the existing official reserves of member countries.

The Kremlin has persistently criticized the dollar’s status as the dominant global reserve currency and has lowered its own dollar holdings in the last few years. Both President Dmitry Medvedev and Prime Minister Vladimir Putin have repeatedly called for the ruble to be used as a regional reserve currency, although the idea has received little support outside of Russia.

Analysts said the new Kremlin proposal would elicit little excitement among the G20 members.

“This is all in the realm of fantasy,” said Sergei Perminov, chief strategist at Rye, Man and Gore. “There was a situation that resembled what they are talking about. It was called the gold standard, and it ended very badly.

“Alternatives to the dollar are still hard to find,” he said.

The Kremlin’s call for a common currency is not the first in recent days. Speaking at an economic conference in Astana, Kazakhstan, last week, Kazakh President Nursultan Nazarbayev proposed a global currency called the “acmetal” — a conflation of the words “acme” and “capital.”

He also suggested that the Eurasian Economic Community, a loose group of five former Soviet republics including Kazakhstan and Russia, adopt a single noncash currency — the yevraz — to insulate itself from the global economic crisis.

The suggestions received a lukewarm response from Foreign Minister Sergei Lavrov on Saturday.

Nazarbayev's proposal did, however, garner support from at least one prominent source — Columbia University professor Robert Mundell, who was awarded the Nobel Prize in 1999 for his role in creating the euro.

Speaking at the same conference with Nazarbayev, he said the idea had "great promise."

The Kremlin document also called for national banks and international financial institutions to diversify their foreign currency reserves. It said the global financial system should be restructured to prevent future crises and proposed holding an international conference after the G20 summit to adopt conventions on a new global financial structure.

The Group of 20 industrialized and developing countries will meet in London on April 2.

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