

Kudrin Concerned Over Currency War

By [The Moscow Times](#)

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Russian Finance Minister Alexei Kudrin said Thursday that efforts by some countries to weaken their currencies to stimulate growth are “especially worrying.”

International policymakers failed to narrow their differences during the International Monetary Fund’s annual meeting last week in Washington after Brazil warned that a “currency war” was under way. While the United States criticized China for undervaluing the yuan, officials from emerging nations blamed low U.S. interest rates for flooding them with capital.

“The unilateral attempts of some countries to make decisions on managing their currency rates” to spur growth are “especially worrying,” Kudrin said after meeting European Union Monetary Affairs Commissioner Olli Rehn.

Still, Kudrin said management of exchange rates wasn't the only thing to blame for global “imbalances.”

Different levels of “competitiveness” are the main issue, as well as “the stimulating monetary policy of some developed countries, mainly the U.S., which use it as a way of solving structural problems.”

Policymakers agreed last week that the IMF should police exchange rates by preparing reports to show how the policies of one economy affect others. The studies will focus on the United States, China, Britain and the euro zone. The next discussions will take place during Group of 20 talks in South Korea next month.

“There have been negative developments, but I wouldn’t call it currency wars,” Rehn said Thursday. “We must avoid the spiral of combative depreciation.” All countries have to focus on “rebalancing” global growth.

Global economic recovery, “which was recently gaining momentum is significantly slowing” as the effect of anti-crisis stimulus measures seems to be wearing off, Kudrin said. “A further slowing of economic growth in the second half of 2010 and 2011 is a cause for concern.”

Emerging economies are unlikely to “fully compensate” lower consumer demand in the United States and other developed countries, he said. “Increased volatility of reserve currencies is another sign of instability in the global financial system,” Kudrin said.

Russia is moving away from managing the ruble toward a free-float. The Central Bank on Wednesday widened the so-called floating corridor it uses to guide the ruble against a basket of dollars and euros and abolished a wider band set during the credit crisis to “increase flexibility” of the exchange rate, First Deputy Chairman Alexei Ulyukayev said.

That decision was “unrelated to the currency wars,” Kudrin said. “It’s the opposite move, to intervene less in the exchange rate,” he said.

Prime Minister Vladimir Putin said Thursday that the ruble was in an “optimal position” and that he didn’t expect the currency to weaken or strengthen “excessively.” He was speaking to reporters in Sochi.

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