The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Russia Ready to Help Indebted Euro Zone

By Irina Filatova

October 10, 2011

Russia could attain a balanced budget next year, if oil prices remain at $93 a barrel and the country does not increase the Reserve Fund, the Finance Ministry said Monday.

"Everything that is above [this price] will go to increasing our reserves," said acting Finance Minister Anton Siluanov.

In order for the government to balance the federal budget in 2012 and refill the Reserve Fund, oil prices should grow to $108 a barrel this year and $117.2 a barrel next year, he said at a session of the Federation Council.

The price of $93 a barrel is quite optimistic amid the current uncertainty in the global markets, but oil prices "could remain rather high" boosted by the demand from Asia, said Vyacheslav Smolyaninov, a strategist at UralSib Capital.

The government expects to attain a balanced budget this year, while a deficit of 1.5 percent of gross domestic product is projected for next year.

Meanwhile Russia, which has the world's third-largest reserves, is ready to help euro-zone countries emerge from the debt crisis, if they provide a specific bailout program, presidential aide Arkady Dvorkovich said Monday.

The European countries should present "a specific, clear strategy to emerge from the crisis," Dvorkovich said. "If support on the side of Russia and other BRICS countries is needed within the framework of this strategy, we're ready to provide that support," he told journalists.

Dvorkovich added, however, that it is "premature" to talk about such help until a strategy is presented.

As part of those support measures, Russia might buy Spanish government bonds, and Dvorkovich said the two sides had discussed such an option.

"This issue was under discussion" when former Finance Minister Alexei Kudrin and Foreign Minister Sergei Lavrov met with Spain's Economy Minister Elena Salgado, he said without elaborating.

Russia, as well as its BRICS peers, has the potential to help indebted euro-zone countries because it has sufficient reserves, Smolyaninov said.

The volume of the country's National Welfare Fund and Reserve Fund, which accumulate windfall oil and gas revenues and can invest in the state debt of a number of countries, was 2.8 trillion rubles ($87.5 billion) and 823.87 billion rubles, respectively, as of Oct. 1, according to the Finance Ministry web site.

The Reserve Fund is expected to reach 1.67 trillion rubles by the end of this year and increase an additional 512 billion rubles over the next three years, Siluanov said.

But increasing Russia's injections into the International Monetary Fund is likely to be more effective than purchasing separate countries' debts, as the IMF's major donors — the United States and Germany — cannot inject as much as they did previously, Smolyaninov said.

"In this situation, increasing injections from the BRICS countries, which have big reserves, is justified," he said.

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