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Session of Davos Agenda 2021 online forum

29-36 minutes





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During the session of Davos Agenda 2021 online forum organised by the World Economic Forum.

The online events are taking place from January 25 to 29 and involve heads of state and government, CEOs of major international companies, global media and youth organisations from Asia, Europe, Africa, the Middle East, North America and Latin America.

The main focus of the forum is the discussion of the new global situation arising from the novel coronavirus pandemic.

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World Economic Forum Founder and Executive Chairman

Klaus Schwab: Mr President, welcome to the Davos Agenda Week.

Russia is an important global power, and there's a long-standing tradition of Russia's participation in the World Economic Forum. At this moment in history, where the world has a unique and short window of opportunity to move from an age of confrontation to an age of cooperation, the ability to hear your voice, the voice of the President of the Russian Federation, is essential. Even and especially in times characterised by differences, disputes and protests, constructive and honest dialogue to address our common challenges is better than isolation and polarisation.

Yesterday, your [phone exchange](#) with President Biden and the agreement to extend the New START nuclear arms treaty

in principle, I think, was a very promising sign in this direction.

COVID-19, Mr President, has shown our global vulnerability and interconnectivity, and, like any other country, Russia will certainly also be affected, and your economic development and prospects for international cooperation, of course, are of interest to all of us.

Mr President, we are keen to hear from your perspective and from that of Russia, how you see the situation developing in the third decade of the 21st century and what should be done to ensure that people everywhere find peace and prosperity.

Mr President, the world is waiting to hear from you.

President of Russia Vladimir Putin: Mr Schwab, dear Klaus,
Colleagues,

I have been to Davos many times, attending the events organised by Mr Schwab, even back in the 1990s. Klaus [Schwab] just recalled that we met in 1992. Indeed, during my time in St Petersburg, I visited this important forum many times. I would like to thank you for this opportunity today to convey my point of view to the expert community that gathers at this world-renowned platform thanks to the efforts of Mr Schwab.

First of all, ladies and gentlemen, I would like to greet all the World Economic Forum participants.

It is gratifying that this year, despite the pandemic, despite all the restrictions, the forum is still continuing its work. Although it is limited to online participation, the forum is taking place anyway, providing an opportunity for participants to exchange their assessments and forecasts during an open and free discussion,

partially compensating for the increasing lack of in-person meetings between leaders of states, representatives of international business and the public in recent months. All this is very important now, when we have so many difficult questions to answer.

The current forum is the first one in the beginning of the third decade of the 21st century and, naturally, the majority of its topics are devoted to the profound changes that are taking place in the world.

Indeed, it is difficult to overlook the fundamental changes in the global economy, politics, social life and technology. The coronavirus pandemic, which Klaus just mentioned, which became a serious challenge for humankind, only spurred and accelerated the structural changes, the conditions for which had been created long ago. The pandemic has exacerbated the problems and imbalances that built up in the world before. There is every reason to believe that differences are likely to grow stronger. These trends may appear practically in all areas.

Needless to say, there are no direct parallels in history. However, some experts – and I respect their opinion – compare the current situation to the 1930s. One can agree or disagree, but certain analogies are still suggested by many parameters, including the comprehensive, systemic nature of the challenges and potential threats.

We are seeing a crisis of the previous models and instruments of economic development. Social stratification is growing stronger both globally and in individual countries. We have spoken about this before as well. But this, in turn, is causing today a sharp

polarisation of public views, provoking the growth of populism, right- and left-wing radicalism and other extremes, and the exacerbation of domestic political processes including in the leading countries.

All this is inevitably affecting the nature of international relations and is not making them more stable or predictable. International institutions are becoming weaker, regional conflicts are emerging one after another, and the system of global security is deteriorating.

Klaus has mentioned the conversation I had yesterday with the US President on extending the New START. This is, without a doubt, a step in the right direction. Nevertheless, the differences are leading to a downward spiral. As you are aware, the inability and unwillingness to find substantive solutions to problems like this in the 20th century led to the WWII catastrophe.

Of course, such a heated global conflict is impossible in principle, I hope. This is what I am pinning my hopes on, because this would be the end of humanity. However, as I have said, the situation could take an unexpected and uncontrollable turn – unless we do something to prevent this. There is a chance that we will face a formidable break-down in global development, which will be fraught with a war of all against all and attempts to deal with contradictions through the appointment of internal and external enemies and the destruction of not only traditional values such as the family, which we hold dear in Russia, but fundamental freedoms such as the right of choice and privacy.

I would like to point out the negative demographic consequences of the ongoing social crisis and the crisis of values, which could

result in humanity losing entire civilisational and cultural continents.

We have a shared responsibility to prevent this scenario, which looks like a grim dystopia, and to ensure instead that our development takes a different trajectory – positive, harmonious and creative.

In this context, I would like to speak in more detail about the main challenges which, I believe, the international community is facing.

The first one is socioeconomic.

Indeed, judging by the statistics, even despite the deep crises in 2008 and 2020, the last 40 years can be referred to as successful or even super successful for the global economy. Starting from 1980, global per capita GDP has doubled in terms of real purchasing power parity. This is definitely a positive indicator.

Globalisation and domestic growth have led to strong growth in developing countries and lifted over a billion people out of poverty. So, if we take an income level of \$5.50 per person per day (in terms of PPP) then, according to the World Bank, in China, for example, the number of people with lower incomes went from 1.1 billion in 1990 down to less than 300 million in recent years. This is definitely China's success. In Russia, this number went from 64 million people in 1999 to about 5 million now. We believe this is also progress in our country, and in the most important area, by the way.

Still, the main question, the answer to which can, in many respects, provide a clue to today's problems, is what was the nature of this global growth and who benefitted from it most.

Of course, as I mentioned earlier, developing countries benefitted a lot from the growing demand for their traditional and even new products. However, this integration into the global economy has resulted in more than just new jobs or greater export earnings. It also had its social costs, including a significant gap in individual incomes.

What about the developed economies where average incomes are much higher? It may sound ironic, but stratification in the developed countries is even deeper. According to the World Bank, 3.6 million people subsisted on incomes of under \$5.50 per day in the United States in 2000, but in 2016 this number grew to 5.6 million people.

Meanwhile, globalisation led to a significant increase in the revenue of large multinational, primarily US and European, companies.

By the way, in terms of individual income, the developed economies in Europe show the same trend as the United States.

But then again, in terms of corporate profits, who got hold of the revenue? The answer is clear: one percent of the population.

And what has happened in the lives of other people? In the past 30 years, in a number of developed countries, the real incomes of over half of the citizens have been stagnating, not growing. Meanwhile, the cost of education and healthcare services has gone up. Do you know by how much? Three times.

In other words, millions of people even in wealthy countries have stopped hoping for an increase of their incomes. In the meantime, they are faced with the problem of how to keep themselves

and their parents healthy and how to provide their children with a decent education.

There is no call for a huge mass of people and their number keeps growing. Thus, according to the International Labour Organisation (ILO), in 2019, 21 percent or 267 million young people in the world did not study or work anywhere. Even among those who had jobs (these are interesting figures) 30 percent had an income below \$3.2 per day in terms of purchasing power parity.

These imbalances in global socioeconomic development are a direct result of the policy pursued in the 1980s, which was often vulgar or dogmatic. This policy rested on the so-called Washington Consensus with its unwritten rules, when the priority was given to the economic growth based on a private debt in conditions of deregulation and low taxes on the wealthy and the corporations.

As I have already mentioned, the coronavirus pandemic has only exacerbated these problems. In the last year, the global economy sustained its biggest decline since WWII. By July, the labour market had lost almost 500 million jobs. Yes, half of them were restored by the end of the year but still almost 250 million jobs were lost. This is a big and very alarming figure. In the first nine months of the past year alone, the losses of earnings amounted to \$3.5 trillion. This figure is going up and, hence, social tension is on the rise.

At the same time, post-crisis recovery is not simple at all. If some 20 or 30 years ago, we would have solved the problem through stimulating macroeconomic policies (incidentally, this is still being done), today such mechanisms have reached their limits and are no longer effective. This resource has outlived its usefulness. This

is not an unsubstantiated personal conclusion.

According to the IMF, the aggregate sovereign and private debt level has approached 200 percent of global GDP, and has even exceeded 300 percent of national GDP in some countries.

At the same time, interest rates in developed market economies are kept at almost zero and are at a historic low in emerging market economies.

Taken together, this makes economic stimulation with traditional methods, through an increase in private loans virtually impossible.

The so-called quantitative easing is only increasing the bubble of the value of financial assets and deepening the social divide.

The widening gap between the real and virtual economies (incidentally, representatives of the real economy sector from many countries have told me about this on numerous occasions, and I believe that the business representatives attending this meeting will agree with me) presents a very real threat and is fraught with serious and unpredictable shocks.

Hopes that it will be possible to reboot the old growth model are connected with rapid technological development. Indeed, during the past 20 years we have created a foundation for the so-called Fourth Industrial Revolution based on the wide use of AI and automation and robotics. The coronavirus pandemic has greatly accelerated such projects and their implementation.

However, this process is leading to new structural changes, I am thinking in particular of the labour market. This means that very many people could lose their jobs unless the state takes effective measures to prevent this. Most of these people are from the so-called middle class, which is the basis of any modern society.

In this context, I would like to mention the second fundamental challenge of the forthcoming decade – the socio-political one. The rise of economic problems and inequality is splitting society, triggering social, racial and ethnic intolerance. Indicatively, these tensions are bursting out even in the countries with seemingly civil and democratic institutions that are designed to alleviate and stop such phenomena and excesses.

The systemic socioeconomic problems are evoking such social discontent that they require special attention and real solutions. The dangerous illusion that they may be ignored or pushed into the corner is fraught with serious consequences.

In this case, society will still be divided politically and socially. This is bound to happen because people are dissatisfied not by some abstract issues but by real problems that concern everyone regardless of the political views that people have or think they have. Meanwhile, real problems evoke discontent.

I would like to emphasise one more important point. Modern technological giants, especially digital companies, have started playing an increasing role in the life of society. Much is being said about this now, especially regarding the events that took place during the election campaign in the US. They are not just some economic giants. In some areas, they are de facto competing with states. Their audiences consist of billions of users that pass a considerable part of their lives in these eco systems.

In the opinion of these companies, their monopoly is optimal for organising technological and business processes. Maybe so but society is wondering whether such monopolism meets public interests. Where is the border between successful global business,

in-demand services and big data consolidation and the attempts to manage society at one's own discretion and in a tough manner, replace legal democratic institutions and essentially usurp or restrict the natural right of people to decide for themselves how to live, what to choose and what position to express freely? We have just seen all of these phenomena in the US and everyone understands what I am talking about now. I am confident that the overwhelming majority of people share this position, including the participants in the current event.

And finally, the third challenge, or rather, a clear threat that we may well run into in the coming decade is the further exacerbation of many international problems. After all, unresolved and mounting internal socioeconomic problems may push people to look for someone to blame for all their troubles and to redirect their irritation and discontent. We can already see this. We feel that the degree of foreign policy propaganda rhetoric is growing.

We can expect the nature of practical actions to also become more aggressive, including pressure on the countries that do not agree with a role of obedient controlled satellites, use of trade barriers, illegitimate sanctions and restrictions in the financial, technological and cyber spheres.

Such a game with no rules critically increases the risk of unilateral use of military force. The use of force under a far-fetched pretext is what this danger is all about. This multiplies the likelihood of new hot spots flaring up on our planet. This concerns us.

Colleagues, despite this tangle of differences and challenges, we certainly should keep a positive outlook on the future and remain committed to a constructive agenda. It would be naive to come up

with universal miraculous recipes for resolving the above problems. But we certainly need to try to work out common approaches, bring our positions as close as possible and identify sources that generate global tensions.

Once again, I want to emphasise my thesis that accumulated socioeconomic problems are the fundamental reason for unstable global growth.

So, the key question today is how to build a programme of actions in order to not only quickly restore the global and national economies affected by the pandemic, but to ensure that this recovery is sustainable in the long run, relies on a high-quality structure and helps overcome the burden of social imbalances. Clearly, with the above restrictions and macroeconomic policy in mind, economic growth will largely rely on fiscal incentives with state budgets and central banks playing the key role.

Actually, we can see these kinds of trends in the developed countries and also in some developing economies as well. An increasing role of the state in the socioeconomic sphere at the national level obviously implies greater responsibility and close interstate interaction when it comes to issues on the global agenda.

Calls for inclusive growth and for creating decent standards of living for everyone are regularly made at various international forums. This is how it should be, and this is an absolutely correct view of our joint efforts.

It is clear that the world cannot continue creating an economy that will only benefit a million people, or even the golden billion. This is a destructive precept. This model is unbalanced by default.

The recent developments, including migration crises, have reaffirmed this once again.

We must now proceed from stating facts to action, investing our efforts and resources into reducing social inequality in individual countries and into gradually balancing the economic development standards of different countries and regions in the world. This would put an end to migration crises.

The essence and focus of this policy aimed at ensuring sustainable and harmonious development are clear. They imply the creation of new opportunities for everyone, conditions under which everyone will be able to develop and realise their potential regardless of where they were born and are living

I would like to point out four key priorities, as I see them. This might be old news, but since Klaus has allowed me to present Russia's position, my position, I will certainly do so.

First, everyone must have comfortable living conditions, including housing and affordable transport, energy and public utility infrastructure. Plus environmental welfare, something that must not be overlooked.

Second, everyone must be sure that they will have a job that can ensure sustainable growth of income and, hence, decent standards of living. Everyone must have access to an effective system of lifelong education, which is absolutely indispensable now and which will allow people to develop, make a career and receive a decent pension and social benefits upon retirement.

Third, people must be confident that they will receive high-quality and effective medical care whenever necessary, and that the national healthcare system will guarantee access to modern

medical services.

Fourth, regardless of the family income, children must be able to receive a decent education and realise their potential. Every child has potential.

This is the only way to guarantee the cost-effective development of the modern economy, in which people are perceived as the end, rather than the means. Only those countries capable of attaining progress in at least these four areas will facilitate their own sustainable and all-inclusive development. These areas are not exhaustive, and I have just mentioned the main aspects.

A strategy, also being implemented by my country, hinges on precisely these approaches. Our priorities revolve around people, their families, and they aim to ensure demographic development, to protect the people, to improve their well-being and to protect their health. We are now working to create favourable conditions for worthy and cost-effective work and successful entrepreneurship and to ensure digital transformation as the foundation of a high-tech future for the entire country, rather than that of a narrow group of companies.

We intend to focus the efforts of the state, the business community and civil society on these tasks and to implement a budgetary policy with the relevant incentives in the years ahead.

We are open to the broadest international cooperation, while achieving our national goals, and we are confident that cooperation on matters of the global socioeconomic agenda would have a positive influence on the overall atmosphere in global affairs, and that interdependence in addressing acute current problems would also increase mutual trust which is particularly

important and particularly topical today.

Obviously, the era linked with attempts to build a centralised and unipolar world order has ended. To be honest, this era did not even begin. A mere attempt was made in this direction, but this, too, is now history. The essence of this monopoly ran counter to our civilisation's cultural and historical diversity.

The reality is such that really different development centres with their distinctive models, political systems and public institutions have taken shape in the world. Today, it is very important to create mechanisms for harmonising their interests to prevent the diversity and natural competition of the development poles from triggering anarchy and a series of protracted conflicts.

To achieve this we must, in part, consolidate and develop universal institutions that bear special responsibility for ensuring stability and security in the world and for formulating and defining the rules of conduct both in the global economy and trade.

I have mentioned more than once that many of these institutions are not going through the best of times. We have been bringing this up at various summits. Of course, these institutions were established in a different era. This is clear. Probably, they even find it difficult to parry modern challenges for objective reasons.

However, I would like to emphasise that this is not an excuse to give up on them without offering anything in exchange, all the more so since these structures have unique experience of work and a huge but largely untapped potential. And it certainly needs to be carefully adapted to modern realities. It is too early to dump it in the dustbin of history. It is essential to work with it and to use it.

Naturally, in addition to this, it is important to use new, additional formats of cooperation. I am referring to such phenomenon as multiversity. Of course, it is also possible to interpret it differently, in one's own way. It may be viewed as an attempt to push one's own interests or feign the legitimacy of one's own actions when all others can merely nod in approval. Or it may be a concerted effort of sovereign states to resolve specific problems for common benefit. In this case, this may refer to the efforts to settle regional conflicts, establish technological alliances and resolve many other issues, including the formation of cross-border transport and energy corridors and so on and so forth.

Friends,

Ladies and gentlemen,

This opens wide possibilities for collaboration. Multi-faceted approaches do work. We know from practice that they work. As you may be aware, within the framework of, for example, the Astana format, Russia, Iran and Turkey are doing much to stabilise the situation in Syria and are now helping establish a political dialogue in that country, of course, alongside other countries. We are doing this together. And, importantly, not without success.

For example, Russia has undertaken energetic mediation efforts to stop the armed conflict in Nagorno-Karabakh, in which peoples and states that are close to us – Azerbaijan and Armenia – are involved. We strived to follow the key agreements reached by the OSCE Minsk Group, in particular between its co-chairs – Russia, the United States and France. This is also a very good example of cooperation.

As you may be aware, a trilateral Statement by Russia, Azerbaijan and Armenia was signed in November. Importantly, by and large, it is being steadily implemented. The bloodshed was stopped. This is the most important thing. We managed to stop the bloodshed, achieve a complete ceasefire and start the stabilisation process.

Now the international community and, undoubtedly, the countries involved in crisis resolution are faced with the task of helping the affected areas overcome humanitarian challenges related to returning refugees, rebuilding destroyed infrastructure, protecting and restoring historical, religious and cultural landmarks.

Or, another example. I will note the role of Russia, Saudi Arabia, the United States and a number of other countries in stabilising the global energy market. This format has become a productive example of interaction between the states with different, sometimes even diametrically opposite assessments of global processes, and with their own outlooks on the world.

At the same time there are certainly problems that concern every state without exception. One example is cooperation in studying and countering the coronavirus infection. As you know, several strains of this dangerous virus have emerged. The international community must create conditions for cooperation between scientists and other specialists to understand how and why coronavirus mutations occur, as well as the difference between the various strains.

Of course, we need to coordinate the efforts of the entire world, as the UN Secretary-General suggests and as we urged recently at the G20 summit. It is essential to join and coordinate the efforts

of the world in countering the spread of the virus and making the much needed vaccines more accessible. We need to help the countries that need support, including the African nations. I am referring to expanding the scale of testing and vaccinations.

We see that mass vaccination is accessible today, primarily to people in the developed countries. Meanwhile, millions of people in the world are deprived even of the hope for this protection. In practice, such inequality could create a common threat because this is well known and has been said many times that it will drag out the epidemic and uncontrolled hotbeds will continue. The epidemic has no borders.

There are no borders for infections or pandemics. Therefore, we must learn the lessons from the current situation and suggest measures aimed at improving the monitoring of the emergence of such diseases and the development of such cases in the world.

Another important area that requires coordination, in fact, the coordination of the efforts of the entire international community, is to preserve the climate and nature of our planet. I will not say anything new in this respect.

Only together can we achieve progress in resolving such critical problems as global warming, the reduction of forestlands, the loss of biodiversity, the increase in waste, the pollution of the ocean with plastic and so on, and find an optimal balance between economic development and the preservation of the environment for the current and future generations.

My friends,

We all know that competition and rivalry between countries in world history never stopped, do not stop and will never stop.

Differences and a clash of interests are also natural for such a complicated body as human civilisation. However, in critical times this did not prevent it from pooling its efforts – on the contrary, it united in the most important destinies of humankind. I believe this is the period we are going through today.

It is very important to honestly assess the situation, to concentrate on real rather than artificial global problems, on removing the imbalances that are critical for the entire international community. I am sure that in this way we will be able to achieve success and befittingly parry the challenges of the third decade of the 21st century.

I would like to finish my speech at this point and thank all of you for your patience and attention.

Thank you very much.

Klaus Schwab: Thank you very much, Mr President.

Many of the issues raised, certainly, are part of our discussions here during the Davos Week. We complement the speeches also by task forces which address some of the issues you mentioned, like not leaving the developing world behind, taking care of, let's say, creating the skills for tomorrow, and so on. Mr President, we prepare for the discussion afterwards, but I have one very short question. It is a question which we discussed when I visited you in St Petersburg 14 months ago. How do you see the future of European-Russian relations? Just a short answer.

Vladimir Putin: You know there are things of an absolutely fundamental nature such as our common culture. Major European

political figures have talked in the recent past about the need to expand relations between Europe and Russia, saying that Russia is part of Europe. Geographically and, most importantly, culturally, we are one civilisation. French leaders have spoken of the need to create a single space from Lisbon to the Urals. I believe, and I mentioned this, why the Urals? To Vladivostok.

I personally heard the outstanding European politician, former Chancellor Helmut Kohl, say that if we want European culture to survive and remain a centre of world civilisation in the future, keeping in mind the challenges and trends underlying the world civilisation, then of course, Western Europe and Russia must be together. It is hard to disagree with that. We hold exactly the same point of view.

Clearly, today's situation is not normal. We need to return to a positive agenda. This is in the interests of Russia and, I am confident, the European countries. Clearly, the pandemic has also played a negative role. Our trade with the European Union is down, although the EU is one of our key trade and economic partners. Our agenda includes returning to positive trends and building up trade and economic cooperation.

Europe and Russia are absolutely natural partners from the point of view of the economy, research, technology and spatial development for European culture, since Russia, being a country of European culture, is a little larger than the entire EU in terms of territory. Russia's resources and human potential are enormous. I will not go over everything that is positive in Europe, which can also benefit the Russian Federation.

Only one thing matters: we need to approach the dialogue with

each other honestly. We need to discard the phobias of the past, stop using the problems that we inherited from past centuries in internal political processes and look to the future. If we can rise above these problems of the past and get rid of these phobias, then we will certainly enjoy a positive stage in our relations.

We are ready for this, we want this, and we will strive to make this happen. But love is impossible if it is declared only by one side. It must be mutual.

Klaus Schwab: Thank you very much, Mr President.