

Session summary  
THE ST. PETERSBURG INTERNATIONAL ECONOMIC FORUM 2011  
16-18 JUNE 2011, ST. PETERSBURG

Session title:  
Business lunch  
**RUSSIA – XX YEARS OF CHANGE**  
Building Russia's Creative Capital

Date and time: 17.06.2010 13:00 – 14:00

**Moderator**  
Leonid Parfyonov, Independent journalist and TV presenter

**Panelist**  
Anton Rakhmanov, Managing Director, Troika Dialog Investment Company CJSC

### **Synopsis**

In opening the Russia – XX Years of Change business lunch, Mr. Parfyonov focused the discussion on three main questions:

- I. Economics: How to diversify the Russian economy and eliminate the commodity curse?
- II. Investment climate: How to attract investment and reform institutions?
- III. Nation-building: What is Russia's national idea?

Mr. Rakhmanov stressed that Russia is currently losing its influence in financial and commodities markets. This is because the country's budget revenues largely depend on natural resource exports, which heightens Russia's sensitivity to global volatility and events outside of Russia. In addition, de-privatisation has played a role: Whereas in 1994 only 5% of GDP was produced by state-owned enterprises, this data point had risen to 30% by 2010 (partly due to the financial crisis in 2008). As well, such state-owned companies as Rosoboronexport, Rosavia and Rosnano have been created. Finally, the number of civil servants has increased dramatically from 700,000 in 1994 up to 2 million in 2010.

Anton Drozdov, Chairman of the Management Board of the Pension Fund of the Russian Federation, proposed cutting government expenditures by reducing the number of state administrators and downsizing the army by adopting various efficiency measures.

Mr. Rakhmanov reiterated that leading global corporations engaged in natural resources extraction are all very eager to work in Russia.

Sergey Dubinin, Member of the Board of Directors at VTB Capital, noted that Russia's investment climate is improving. Terms like corporate governance and compliance no longer represent something new or unusual for Russian businesspeople and the country's business community is moving toward adopting corporate governance practices in line with other developing and developed countries. The business community has significantly outpaced government institutions in this respect.

Yan Yanovsky, an investment banker, stated that Western investors have a mixed view about the future of Russia. They are interested in Russia's near-term future, as well as the rouble and oil prices. Western investors need to improve their understanding of how to develop business relationships with the Russian government.

Russia has become a normal country over the past 20 years. It is developing as a regular country with a capitalist system. Alexander Rahr, Director of the Russia-Eurasia programme at the German Council on Foreign Relations, said that the fact that private property has emerged in Russia is a revolutionary event in itself. He stressed the importance of establishing a visa-free regime between Russia and Europe. He also pointed out that Russia's image needs improvement. One way to do this is through Russian companies expanding their footprint within Europe and other regions of the world.

Mr. Drozdov stated that the Russian Pension Fund is planning to expand the amount of market instruments that it uses, including debt securities issued by companies in such sectors as infrastructure, energy, housing and public utilities.

Andrei Seryi, a professor of physics at Oxford University, pointed out the importance of sharing the risks associated with innovation between the public and private sectors. Science and innovation centres, such as Skolkovo, should be created and developed further in order to promote innovation and accelerate the introduction and commercialisation of new inventions and products. He also emphasised the importance of such topics as increasing the percentage of investments made from oil revenues and boosting salaries for young Russian scientists. Additionally, he stated that Russia should attract new and interesting scientific projects.

Disclosures

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17 June 2011