

Session summary

THE ST. PETERSBURG INTERNATIONAL ECONOMIC FORUM — 2010
17—19 JUNE 2010, ST. PETERSBURG

Session title: **RUSSIA — US BUSINESS DIALOGUE**

Problem:

What is needed for a decisive acceleration of trade and economic cooperation?

Session Highlights

Select assertions and opinions

- Along with the significant progress mentioned in the area of military and political cooperation, a considerable potential of economic collaboration was recognized by the participants of Forum
- It was reinstated that fastest possible integration of Russia to the WTO is the priority in the dialogue of two countries. It was mentioned that Russia is also highly interested in participation in OECD
- Officials confirmed that Customs Union of Russia, Belorussia and Kazakhstan is not by any means an alternative to accession to the WTO.
- Innovation and modernization were mentioned as the most prospective areas of cooperation. Participants confirmed readiness to collaborate, particularly within the "Skolkovo" project.
- Among other high-priority mutually beneficial ways of cooperation between Russia and USA, participants outlined educational sphere, manpower training, research activities and creation of financial center to improve stability of the financial system.
- Efforts of Russia in the area of regulatory affairs and increasing transparency were recognized, although several shortfalls were noted, e.g. insufficient protection of the rights of investors.
- Participants commented forthcoming visit of President Dmitry Medvedev to USA as a momentous event and a significant impulse to the development of cooperation between Russia and USA.

Select quotes:

"Skolkovo is not an oasis, but the beginning of a huge deal". - Viktor Vekselberg, Chairman of the Supervisory Committee, Renova Group

"A year ago it was said that Russia will enter WTO by the end of the year, the same is expected to be heard this year". - Alexander Shokhin, President of the Russian Union of Industrialists and Entrepreneurs

"Integration of Russia into the Customs Union may not be treated as an alternative to integration into WTO, but should be rather considered as an access to more capacious market with more liberal conditions". - Elvira Nabiullina, Minister of Economic Development, Russian Federation

“Economy nowadays is rather multi-partner than multi-polar”. - Robert D. Hormats, Under Secretary of State for Economic, Energy and Agricultural Affairs

“Our economies [Russian and US] have many complementary features and less cultural barriers”. - Alexey Mordashov, CEO, Severstal JSC

Moderator:

Alexander Shokhin, President of the Russian Union of Industrialists and Entrepreneurs

Session Panelists:

Elvira Nabiullina, Minister of Economic Development, Russian Federation

Robert D. Hormats, Under Secretary of State for Economic, Energy and Agricultural Affairs

Andrey Denisov, First Deputy Minister of Foreign Affairs of the Russian Federation

Samuel R. Allen, Chairman and CEO, Deere & Company

Sergei Borisov, President, "OPORA Rossii"

Thomas M. Connelly, Executive Vice President and Chief Innovation Officer, DuPont

John V. Faraci, Chairman and CEO, International Paper

Peter T. Grauer, Chairman, Bloomberg

Alexei Isaikin, President, Volga-Dnepr Group

Anatoly Karachinsky, President, IBS Group Holding

Jacques Der Megreditchian, Chief Business Officer, Troyka Dialog

Leonid Melamed, President and CEO, Joint Stock Financial Corporation Sistema

Alexey Mordashov, CEO, Severstal JSC

James Mulva, Chairman and CEO, ConocoPhillips

Dennis Nally, Chairman, PricewaterhouseCoopers International Limited

Vikram Pandit, CEO, Citigroup

Dmitry Pumpyansky, Chairman of the Board of Directors, OJSC TMK

James Quigley, CEO, Deloitte Touche Tohmatsu

Zakhar Smushkin, Chairman of the Board of Directors, Ilim Group

Andrew Somers, President, American Chamber of Commerce in Russia

Boris Titov, Chairman, Delovaya Rossia

James Turley, Chairman and CEO, Ernst & Young

Viktor Vekselberg, Chairman of the Supervisory Committee, Renova Group

Edward Verona, President & CEO, USRBC

Synopsis

During the Russia—US dialogue, it was repeatedly stressed that an increasing number of business people have gradually started to be drawn into discussing issues concerning interaction between the two countries, alongside government representatives. This enabled the participants in the dialogue to determine specific and topical priority areas for the future development of cooperation between the two countries, taking into account the real requirements and issues that business figures face in Russia and the USA.

Participants in the meeting noted the significant progress seen in the development of cooperation between Russia and the USA in the military and political spheres, and in ensuring global security. They also commented on the enormous potential that exists in developing economic cooperation, which according to some participants is currently not being fully exploited.

The participants in the discussion unanimously agreed that it is extremely important for Russia to join the WTO as soon as possible, in order for economic relations between it and the USA to develop and for Russia to be more deeply integrated into the global economy. Participants from both sides noted that this issue is a high priority both politically and economically in the dialogue

between the two countries. Officials informed the meeting about steps being taken in this area and emphasized that the Customs Union between Russia, Belarus and Kazakhstan is not regarded as an alternative to Russia's joining the WTO. On the contrary, this Union is opening up access to a bigger market on more liberal terms. Moreover, Russia's interest in joining the OECD was noted.

US investment in the Russian economy in 2009 amounted to US\$7 bn, which alongside a commensurate volume of Russian investment in the US economy has created parity in this area of interaction between the two countries.

It was noted that one of the highest-priorities and most promising areas of cooperation between Russia and the USA is in the area of innovation and modernization. Forum participants expressed their readiness for cooperation and increase investment in this sphere - in particular many American companies expressed interest in the Skolkovo project.

It was repeatedly noted that both countries are ready for intensive cooperation in implementing investment projects, in particular in areas of modernization and innovation, if existing barriers in legislation and infrastructure for implementing such projects can be removed.

Elvira Nabiullina identified the main areas for future work in improving the investment climate in Russia, in particular:

- improving legislation on immigration
- reducing the time it takes to give permission for investment projects
- simplifying customs regulations

Work is already underway in these areas and some specific positive results have already been achieved. In particular, amendments have been made to Russian legislation on immigration with regard to attracting highly qualified experts.

Alongside their positive assessment of Russia's successes in improving legislation and increasing investment transparency, the participants noted a number of shortcomings that are preventing the active growth of investment in Russia's economy, in particular inadequate protection of investor rights.

The participants discussed additional mutually advantageous, high-priority areas for future cooperation:

- creating a financial centre with the aim of improving the world financial system
- increasing the quality of human capital by integrating efforts in developing education, in particular implementing projects to achieve cooperation between universities and research institutes in Russia and the USA, joint participation in the Skolkovo project, and joint "mega-science" centres such as the Large Hadron Collider
- overcoming the consequences of natural disasters and man-made catastrophes.

The participants described the upcoming visit of the Russian president to the USA, which will include a visit to Silicon Valley and meetings with business and government representatives, as a landmark event and a potential substantial boost to the development of economic cooperation between Russia and the USA.

Keywords: Russia, US, economy, trade, investment, transparency, WTO

Recommended reading for: Business, investors, finance community, government officials