

SPIEF

2017

ST. PETERSBURG INTERNATIONAL ECONOMIC FORUM

INDIA
SERBIA

SPIEF 2017
GUEST COUNTRIES

FROM LISBON
TO VLADIVOSTOK

PRAGMATIC PATRIOTISM

RICHES FROM THE SHADOWS
RUSSIA AS AN 'INVEST IDEA'



- 
- Smart import substitution
DENIS MANTUROV
32 page
- 
- Where's the nicest place in Russia?
SVETLANA CHUPSHЕVA
40 page
- 
- Geopolitics, high-tech style
HEMANT KANORIA
98 page
- 
- Reform in the name of business
MARCO CHADES
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TO PARTICIPANTS, GUESTS AND ORGANIZERS OF THE ST. PETERSBURG INTERNATIONAL ECONOMIC FORUM

DEAR FRIENDS,

It is a great pleasure to welcome you to the St. Petersburg International Economic Forum, which this year is taking place under the theme Achieving a New Balance in the Global Economic Arena.

For the first time in the last several years, the global economy is showing signs of recovery. The Forum will discuss how to consolidate the emerging trends and assess the risks and challenges related to the introduction of new technologies. The sweeping changes taking place today require effective measures by the international community to enhance the international governance architecture in order to take coordinated steps to ensure that all population groups benefit from the fruits of globalization and thereby guarantee sustainable and balanced development.

Over these years, the Forum has gained substantial authority as a recognized global discussion platform open for direct and engaged dialogue on the relevant issues we face today. This June, heads of state and government, prominent public and political figures, and business and expert community representatives from Russia and many other countries will once again gather in St. Petersburg.

I am confident that the initiatives and recommendations the Forum produces will contribute to developing common, consolidated approaches, and the contracts and agreements executed on the Forum's sidelines will give impetus to international cooperation and help to launch and implement new, mutually advantageous projects.

I wish you productive and successful work.

A handwritten signature in black ink, appearing to read "Vladimir Putin".

Vladimir Putin



TO PARTICIPANTS AND GUESTS OF THE ST. PETERSBURG INTERNATIONAL ECONOMIC FORUM

DEAR FRIENDS,

It is my pleasure to welcome all of our guests to the St. Petersburg International Economic Forum.

As always, participants can look forward to a rich and varied business programme. Discussion will focus on the current status of the international economic system and prospects for its sustainable development, the search for the best paths to solving pressing problems, and how to make use of emerging opportunities.

This year, special attention will be devoted to the Forum's key topics, which include analysing fundamental trends in the global economy, issues on Russia's economic agenda, and problems associated with human capital as a key vector of development. Time will also be taken to consider those advances in science and technology that are having an increasingly noticeable impact on our lives.

We are pleased offer our guests a variety of event formats at the Forum, which we hope will assist them in establishing new business contacts and developing existing ones. The Forum's exciting cultural programme includes theatrical productions, concerts, receptions, charity events, exhibitions, and a wide variety of sightseeing tours, which we trust will be entertaining for all.

On behalf of the Organizing Committee, I would like to express my hope that participants and guests of the St. Petersburg International Economic Forum are able to engage in constructive and interesting work, accomplish new goals, and have an enjoyable time!

A handwritten signature in black ink, appearing to read "Sergei Prikhodko".

Sergei Prikhodko

Deputy Prime Minister of the Russian Federation,
Government Chief of Staff, and Chairman of the Organizing
Committee of the St. Petersburg International Economic Forum

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YOU'RE LOCAL NO MATTER WHERE YOU ARE

V-Tell Subscribers will always be considered "local" to residents and businesses when visiting any country whose phone number has been assigned to their SIM card.

V-TELL DOES NOT UTILIZE IP TELEPHONY

Being an operator in several countries of the world¹, **V-Tell** offers its Subscribers the opportunity to stay connected with their local network while traveling around the world. That is why we do not need to utilize IP telephony³.

1. From the list of countries, specified on V-TELL.COM 2. Subject to availability.
3. The number must already be assigned to the SIM card.

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SPIEF'17
ST. PETERSBURG
INTERNATIONAL
ECONOMIC
FORUM

JUNE 1-3

WELCOME

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General partner:



General partner:



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Strategic partner:



Official car of the Forum:



Official airline of the Forum:



Business networking platform partner:



Telecommunications partner:



Knowledge partner:



Logistics partner:



Partners:



Networking area partners:



Sberbank; VTB Bank; Gazprombank; Bank for Development and Foreign Economic Affairs (Vnesheconombank); Russian Agricultural Bank; Post Bank

OPERATOR OF THE ST. PETERSBURG INTERNATIONAL ECONOMIC FORUM

ROSCONGRESS



“ In the 20 years since its founding, the St. Petersburg International Economic Forum has grown into a platform for the discussion of strategic issues and challenges. This conversation is all the more important today in a world going through a major transformation, where profound changes are affecting practically every sphere of life. ”

Vladimir Putin

THE ROSCONGRESS FOUNDATION

The Roscongress Foundation is a major conference and exhibition operator, and offers a range of services for organizing events of all kinds and levels of complexity. The Foundation also provides assistance with specific aspects of event planning or hosting.

OUR AREAS OF EXPERTISE



CONGRESS MANAGEMENT

The Foundation
has organized more
than



432
events

from Montevideo
to Vladivostok

with
participants
from



133
countries

KEY EVENTS



Sochi,
Russia

February 15–16, 2018

RUSINVESTFORUM.ORG



St. Petersburg,
Russia

June 1–3, 2017

FORUMSPB.COM



St. Petersburg,
Russia

July 12–14, 2017

IBCONGRESS.COM



Vladivostok,
Russia

September 6–7, 2017

FORUMVOSTOK.RU



Moscow,
Russia

October 3–7, 2017

RUSENERGYWEEK.COM



Moscow, Sochi,
Russia

October 14–22, 2017

RUSSIA2017.COM



FORUM: WHAT TO EXPECT



THE ST. PETERSBURG INTERNATIONAL ECONOMIC
FORUM: WHAT YOU NEED TO KNOW ABOUT ITS
DISCUSSIONS, MEETINGS, AND WAYS TO SPEND YOUR
TIME IN THE MOST BEAUTIFUL CITY OF THE WORLD



FORUM: BUSINESS PROGRAMME

The Forum's business programme was developed with the involvement of more than 200 leading experts from Russia, Europe, Asia, the United States, and North and Latin America.

In 2017, the Forum events will be united under the theme 'Achieving a New Balance in the Global Economic Arena'.

Discussions will focus on five main pillars:

- **Dynamics of the Global Economy**
- **Russian Economic Agenda**
- **Embracing Tech Disruptors**
- **Focus on the Human Factor**
- **Foresight Series**

The SPIEF programme includes the traditional BRICS session and B20 International Trade and Investment Forum, the Energy Summit, and a number of business dialogues between countries. Several business breakfasts are to be held: 'EAU-India', IT Breakfast, and more. Sessions of the Shanghai Cooperation Organization and the Valdai Club are also planned, as well as the Russia-India Forum of CEOs.

A session of the World Festival of Youth and Students will be held on the Forum's sidelines for the first time.

Discussions will be held in the Forum's traditional formats of panel

sessions, roundtables, business breakfasts, and televised debates.

On the Zero Day of SPIEF, the Russian Small and Medium-Sized Enterprises Forum (SME), the International Conference on Developing Cooperation 'from Lisbon to Vladivostok', the Interregional Forum 'Women's Entrepreneurship: Problems and Solutions in Europe and Arab Countries', the second Interregional Forum 'Strengthening International SME Alliances between the Russian Federation and Latin American and Caribbean Countries (LAC)' and the World Sport Forum will be held.



SPIEF INVESTMENT & BUSINESS EXPO

A special communications platform for companies to showcase their promising Russian and international investment projects, B2B solutions and technologies.

Exhibition participants:

- Association of Innovative Regions of Russia
- Belarus
- COALCO "IQ REGION"
- Foresight
- Heliports of Russia
- Hubei Xishui Kemei Machinery Co. Ltd.
- Khabarovsk Territory
- Krylov State Research Centre
- MIR National Payment System
- Moscow city government
- Moscow Region
- National Research University Higher School of Economics (HSE)
- Novgorod Region WELIKE RUSSIA
- NP "North-West Cluster of Medical, Pharmaceutical Industry and Radiation Technologies"
- Orenburg Region
- Russian Ministry of North Caucasus Affairs (North Caucasus Development Corporation and Resorts of the North Caucasus)
- Sevastopol
- Siberian Generating Company
- Smolensk Region
- State Corporation – Housing Assistance Fund
- Tatarstan Investment Development Agency
- Republic of Crimea
- Tver Region
- Tula Region
- Vladimir Region
- Yaroslavl Region



REFERENCE INFORMATION

SPIEF 2017 information services

Tel.: +7 (812) 680 0000
(24 hours)
Fax: +7 (812) 680 0034
Email: info@forumspb.com
FORUMSPB.COM

Forum financial services

Participants can pay the participation cost in cash or with a bank card at the Forum's payment offices at Accreditation Centre 1 (Outlet Village Pulkovo, 60/1, Pulkovskoye Shosse).

The financial services provide participants and representatives of payer organizations with original copies of contracts, work completion statements, and invoices signed by the Roscongress Foundation. Documents can be picked up at the same time you pay for participation at Accreditation Centre 1 or at financial services stands at the Forum venue (Passage, stands 95–97). Payment for additional services may also be made at Accreditation Centre 1.

A 5.5% commission fee is charged when paying for participation and services at financial services stands.

Financial services operation hours

Accreditation Centre 1.
Outlet Village Pulkovo
May 29–30 10:00–19:00
May 31–June 2 08:00–22:00
June 3 08:00–17:00

Forum venue
(Passage, stands 95–97)
May 31–June 2 08:00–20:00
June 3 08:00–16:00

SPIEF PRESENTATION AREA WITH THE SUPPORT OF EY

The St. Petersburg International Economic Forum will host a special communications platform: the SPIEF Presentation Area. Located in the centre of the Forum exhibition hall, this platform will provide space for companies to present their projects, products, and services, and hold their own business sessions. The SPIEF Presentation Area, organized with the support of EY, will host Russian and foreign investors, executives from major companies, and

government representatives. The SPIEF Presentation Area is operated by Russian news agency TASS. Participants will be able to receive expert evaluations of their projects and discuss prospects for bringing them to fruition, and will have the chance to talk to investors and partners. A current version of the SPIEF Presentation Area business programme is available in the Programme section of the Forum website, under 'SPIEF Presentation Area'.



FORUM: CULTURAL PROGRAMME

Gala Concert

- May 31, 2017
- ⌚ 19:30–22:00
- 🏛️ Mikhailovsky Theatre
(1, Ploshchad Iskusstva)
- ↳ Access: Premium Package participants (by invitation)

Welcome cocktail hosted by the Chairman of the SPIEF 2017 Organizing Committee

- May 31, 2017
- ⌚ 20:00–00:00
- 🏛️ Blok Restaurant
(Leningrad Centre, 4, Potyomkinskaya Ulitsa)

- ↳ Access: Premium Package participants (by invitation)

India Reception given by the Confederation of Indian Industry

- June 1, 2017
- ⌚ 19:30–21:30
- 🏛️ Belmond Grand Hotel Europe
(1/7, Mikhailovskaya Ulitsa)
- ↳ Access: Premium Package participants (by invitation)

Performance by Yuri Bashmet and the All-Russian Youth Symphony Orchestra

- June 1, 2017

- ⌚ 20:00–21:30
- 🏛️ Mariinsky Theatre Concert Hall
(20, Pisareva Ulitsa)

- ↳ Access: to attend the event participants must present a ticket, which can be purchased via the personal web office. The price of these tickets is not included in the package.

Gala Reception given by the Governor of St. Petersburg

- June 2, 2017
- ⌚ 19:00–22:00
- 🏛️ Manege Central Exhibition Hall
(1, Isaakievskaya Ploshchad)



EXHIBITIONS FOR SPIEF 2017 PARTICIPANTS ON JUNE 1–3

'So Easy to be Nearby' Photo Exhibition

- ⌚ June 1–3, 2017
- 🏛 1–3, Malaya Konyushennaya Ulitsa
- ↳ Free access

Russian Industry 2.0 photo exhibition 'Investment: Aiming for Results'

- ⌚ June 1–3, 2017
- 🏛 ExpoForum Convention and Exhibition Centre, Governors' Club
- ↳ Access: visitors to the Governors' Club

'Silk Labyrinth' exhibition

- ⌚ June 3, 2017
- 🏛 KGallery (24, Nab. Reki Fontanki)
- ↳ Access: by SPIEF 2017 badge

'Handwritten Treasures of the East on the Banks of the Neva' Exhibition

- ⌚ June 2–3, 2017
- 🏛 Institute of Oriental Manuscripts (Novo-Mikhailovsky Palace, 18, Dvortsovaya Nab.)
- ↳ Access: by invitation or SPIEF 2017 participant badge

↳ Access: Premium Package participants (by invitation)

Opening of the exhibition of works by sculptor and artist Dashi Namdakov as part of the gala reception given by the Governor of St. Petersburg

- ⌚ June 2, 2017
- ⌚ 19:00–22:00
- 🏛 Manege Central Exhibition Hall (1, Isaakievskaya Ploshchad)

Orchestra Sinfonica di Milano Giuseppe Verdi (laVerdi)

- ⌚ June 3, 2017

⌚ 19:00–20:30

🏛 Alexandrinsky Theatre (6, Ploshchad Ostrovskovo)

↳ Access: Premium Package and Standard

Package participants (by invitation)

Petersburg.Live Festival

- ⌚ June 3, 2017
- ⌚ 18:00–22:00
- 🏛 Dvortsovaya Ploshchad
- ↳ Access: Premium Package and Standard Package participants (by invitation)



For all questions related to SPIEF 2017 cultural programme events and to obtain invitations to the events, please visit the cultural programme stands located in the Passage (stands 34, 78, and 91).

A full list and detailed description of the cultural programme events is available in the Cultural Programme section of the SPIEF website.

Visiting St. Petersburg theatres and ordering individual guided tours

You can book tickets to leading St. Petersburg theatres and order personal guided tour services through the Cultural Programme section of your personal web office. This service is also available at any theatre ticket and guided tour booking stand at the SPIEF venue (Passage, stands 33 and 79) and by emailing ticket@forumspb.com (for theatre tickets) or excursion@forumspb.com (for guided tours).

Contact person:
Varvara Malevskaya
Tel.: +7 (905) 231 6358





FORUM: SPORTING PROGRAMME



M-1 Challenge 79 international mixed martial arts (MMA) tournament

- ⌚ June 1, 2017
- ⌚ Time: 19:00
- 🏟 Yubileyny Sports Palace (18, Prospekt Dobrolyubova)
- ↳ Access: Premium Package participants (by invitation)

FIGHT NIGHTS GLOBAL 68 International MMA Tournament

- ⌚ June 2, 2017
- ⌚ Time: 19:00
- 🏟 Yubileyny Sports Palace (18, Prospekt Dobrolyubova)
- ↳ Access: Premium Package participants (by invitation)

Roscongress Cup Chess Tournament

- ⌚ June 3, 2017
- ⌚ 11:00–16:00
- 🏟 Yelagin Island Tennis Club (6, 3-y Yelagin Most)
- ↳ Access: by invitation White Nights. Roscongress Cup

Tennis Tournament

- ⌚ June 3, 2017
- ⌚ 09:00–21:00
- 🏟 Yelagin Island Tennis Club (6, 3-y Yelagin Most)
- ↳ Access: by invitation

Roscongress Cup Billiards Tournament

- ⌚ June 3, 2017
- ⌚ 09:00–21:00
- 🏟 Yelagin Island Tennis Club (6, 3-y Yelagin Most)

VI International Mini-Football Tournament for St. Petersburg consular missions and people's diplomacy representatives

- ⌚ June 3, 2017
- ⌚ 10:00–18:00



For any information concerning sporting programme events and for invitation request you can refer to sporting programme stands (Passage, stands 35 and 77).

A complete list and detailed information about sporting programme events can be found on the official Forum website in the Sporting Programme section.

- 🏟 Dubki Park (44, Dubkovskoye Shosse, Sestroretsk)
- ↳ Access: by SPIEF 2017 participant badge

St. Petersburg Corporate Games

- ⌚ June 3, 2017
- ⌚ 09:00–17:00
- 🏟 Alexeyev Sports Centre, 16, Prospekt Rayevskogo
- ↳ Access: by SPIEF 2017 participant badge

Opening ceremony for the Ladoga Trophy Raid

- ⌚ June 4, 2017
- ⌚ 12:00–14:00
- 🏟 Isaakievskaya Ploshchad
- ↳ Free access



Basketball match. 'VTB Arena Open: Showdown between the Two Capitals' for the Roscongress Cup

- ⌚ June 1, 2017
- ⌚ 16:00–19:00
- 🏟 Nova Arena Sports Complex
- ↳ Access: by invitation



FORUM: NAVIGATOR

ACCREDITATION OF FORUM PARTICIPANTS

Participants must present an accreditation badge in order to access the SPIEF venue and a number of events on the cultural programme.

The accreditation badge is personalized and may not be given to third parties. You should keep your badge and ID with you at all times during the Forum.

Badges may only be picked up at one of the accreditation points by presenting your ID. To simplify and

expedite collection of your participant badge you can present your electronic ticket at an accreditation stand.

Badges may be picked up at one of the accreditation points in Moscow or St. Petersburg.

**Accreditation points start working in advance, before the start of the Forum events.
The accreditation badge must be collected before the start of the Forum events.**

PICKING UP A PARTICIPANT BADGE BY PROXY

To collect your participant badge by proxy, your proxy must present the following:

- their passport;
- an original standard power of attorney form;*
- a list of the participants whose badges the proxy is collecting;
- copies of the participants' passports.**

* The power of attorney form for picking up participant badges may be downloaded in the Accreditation section of the Forum website.

** Copies of participants' passports will be returned after the badges are picked up.



PICKING UP YOUR PARTICIPANT BAG

Participant bags can be picked up in the Passage of the ExpoForum Convention and Exhibition Centre from May 31 until June 3, 2017.

Participant bag distribution point operation hours

Date	Time
May 31	09:00–20:00
June 1–2	08:00–20:00
June 3	08:00–18:00

You must present your accreditation badge to pick up the participant bag.

PLEASE NOTE: BAGS CAN ONLY BE COLLECTED UNDER POWER OF ATTORNEY UPON PRESENTATION OF A BADGE PROVIDING ACCESS TO THE BLUE ZONE.

PICKING UP A PARTICIPANT BAG BY PROXY

To collect your participant bag by proxy, your proxy must present the following:

- their passport;
- an original standard power of attorney form;*
- the participant's badge / e-ticket.

* The power of attorney form for picking up participant bags may be downloaded in the Accreditation section of the Forum website.

HOURS OF OPERATION OF ACCREDITATION POINTS

Site	Address	Dates	Time
MOSCOW			
World Trade Center Moscow	Moscow, 12, Krasnopresnenskaya Nab.	May 18	11:00–19:30 09:00–19:30 (on weekdays)
		May 19–31	9:00–13:00
ST. PETERSBURG			
Accreditation Centre 1. Outlet Village Pulkovo	60/1, Pulkovskoye Shosse	May 22–29 May 30–June 2 June 3	10:00–20:00 07:30–22:30 07:30–18:00
Pulkovo Airport	41A, Pulkovskoye Shosse	May 29 May 30–June 2 June 3	11:00–24:00 24 hours until 12:00
Pulkovo VIP Lounge	41A, Pulkovskoye Shosse	May 29 May 30–June 2 June 3	11:00–23:00 08:00–23:00 08:00–12:00
Moskovsky Railway Station	85, Nevsky Prospekt	May 29 May 30–June 2 June 3	11:00–24:00 06:30–24:00 06:30–12:00
Belmond Grand Hotel Europe	1/7, Mikhailovskaya Ulitsa		
Kempinski Hotel Moika 22	22, Nab. Reki Moika		
Corinthia Hotel St. Petersburg	57, Nevsky Prospekt	May 29	11:00–23:00
Angleterre Hotel	24, Malaya Morskaya Ulitsa	May 30–31 June 1–2	08:00–23:00 07:30–23:00
Park Inn by Radisson Pulkovskaya	1, Ploshchad Pobedy		
Four Seasons Hotel Lion Palace St. Petersburg	1A, Voznesensky Prospekt		

TRANSPORT SERVICE

TAXIS

To order a taxi, please contact a city taxi service of your choice. You can order an accredited taxi at SPIEF transport services stands at the city's airports and rail terminals. At the Forum venue, you can order a taxi at the taxi booking stands in the Passage (stand 59 and at access control point D).

Accredited taxis drop off and pick up passengers on Peterburgskoye Shosse in the immediate vicinity of the Forum venue checkpoint. For the convenience of Forum participants, parking lots for accredited taxis are located at special parking lots

on Pulkovskoye Shosse, near the Moskovsky Rail Terminal, Pulkovo Airport, next to the city's hotels, and at locations where Forum cultural and sporting programme events are held.

When ordering a taxi, please enquire about the price and when the taxi will arrive.

Accredited Forum

taxi services:

TaxovichkoF

Tel.: +7 (812) 333 0000

Email: client@taxovichkof.ru

Komandir

+7 (812) 326 0000

3260000@list.ru

Information about accredited taxi services and their rates is posted on the Forum website in the Transport section.

Roscongress Foundation is not liable for the quality of transport services provided by third party (unaccredited) transport companies.

FORUM SHUTTLES

During the Forum, regular free shuttle buses will run on the following routes:

- between Pulkovo Airport and the SPIEF venue;
- between the official hotels and the SPIEF venue;
- between Accreditation Centres 1 and 2 and the SPIEF venue;
- between the parking lots on Pulkovskoye Shosse and the SPIEF venue.

The timetable for the shuttle buses is available in the Transport section of the Forum website and at transport services stands at the Forum venue (Passage, stands 31, 58, and 90). There will also be transport coordinators on duty at the shuttle departure locations to provide participants with information and logistical support.

SPIEF 2017 OFFICIAL HOTELS

 **Domina Prestige**
St. Petersburg 5* (99, Nab.
Reki Moika)

 **Four Seasons Hotel Lion Palace St. Petersburg 5***
(1A, Voznesensky Prospekt)

 **W St. Petersburg 5***
(6A, Voznesensky Prospekt)

 **Belmond Grand Hotel Europe 5***
(1/7, Mikhailovskaya Ulitsa)

 **Angleterre Hotel 5***
(24, Malaya Morskaya Ulitsa)

 **Astoria Hotel 5***
(39, Bolshaya Morskaya
Ulitsa)

 **Corinthia Hotel**
St. Petersburg 5* (57, Nevsky
Prospekt)

 **Radisson Royal Hotel 5***
(49/2, Nevsky Prospekt)

 **Park Inn by Radisson Pulkovo Airport St. Petersburg 4***
(41ZD, Pulkovskoye Shosse)

 **Park Inn by Radisson Nevsky 4***
(4A, Goncharnaya Ulitsa /
89, Nevsky Prospekt)

 **Park Inn by Radisson Pribaltiyskaya 4***
(14, Ulitsa Korablenstroiteley)

 **Park Inn by Radisson Pulkovskaya 4*** (1, Ploshchad Pobedy)

 **Original Sokos Hotel Olympia Garden 4*** (3A,
Bataiskiy Pereulok)

 **Ambassador 4*** (5-7, Prospekt
Rimskovo-Korsakova)

 **Crowne Plaza St. Petersburg – Ligovsky 4***
(61, Ligovsky Prospekt)

 **Crowne Plaza St. Petersburg Airport 4*** (6A, Startovaya
Ulitsa)

 **Petro Palace Hotel 4***
(14, Malaya Morskaya Ulitsa)

 **Hampton by Hilton St. Petersburg ExpoForum Hotel 3***
(64/2, Peterburgskoye Shosse)

 **Hilton St. Petersburg ExpoForum Hotel**
(64/1, Peterburgskoye Shosse)

 **Ibis St. Petersburg Centre 3***
(54, Ligovsky Prospekt)

 **Kempinski Hotel Moika 22**
St. Petersburg 5*
(22, Nab. Reki Moika)

ROSCONGRESS LOUNGE

The Roscongress Lounge is a special business networking area hosted by the operator of St. Petersburg International Economic Forum 2017.

The Roscongress Foundation (formerly the SPIEF Foundation) has been holding business events in Russia and abroad on a regular basis since 1997, creating favourable conditions for economic cooperation between the business and political elites of Russia and other countries.

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Key app functions:

- Information about the Forum programme
- View video broadcasts of business events
- Exchange messages with other participants
- Schedule meetings
- Create a personal schedule to attend business, cultural, and sporting events
- Information on transport services
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FORUM: THE MAIN THEMES

DYNAMICS OF THE GLOBAL ECONOMY

- Energy Summit
- What's Next for the Global Trading System?
- Reconciling Growth and Security Strategies for the Global Economy
- The Visible Hand: The Growing Impetus of State-Directed Capitalism
- The Role of Nuclear in the Green Energy Mix

- Trends and Risks in Current Venture Investing
- Valdai Club Session. Globalization Revisited: Is Every Country on its Own Now?
- Energy Trilemma: How to Guarantee Supplies by Integrating Energy Systems?
- The Reinvention of Global Banking: Withstanding Challenges,

- Seizing Opportunities
- The Mission of Multilateral Financial Institutions in the Global Economy
- Business Takes to Space
- The SCO and Prospects for the Development of Broad Eurasian Partnership
- Business in Search of Trust
- The Influence of SME Ecosystems on the Global Economy

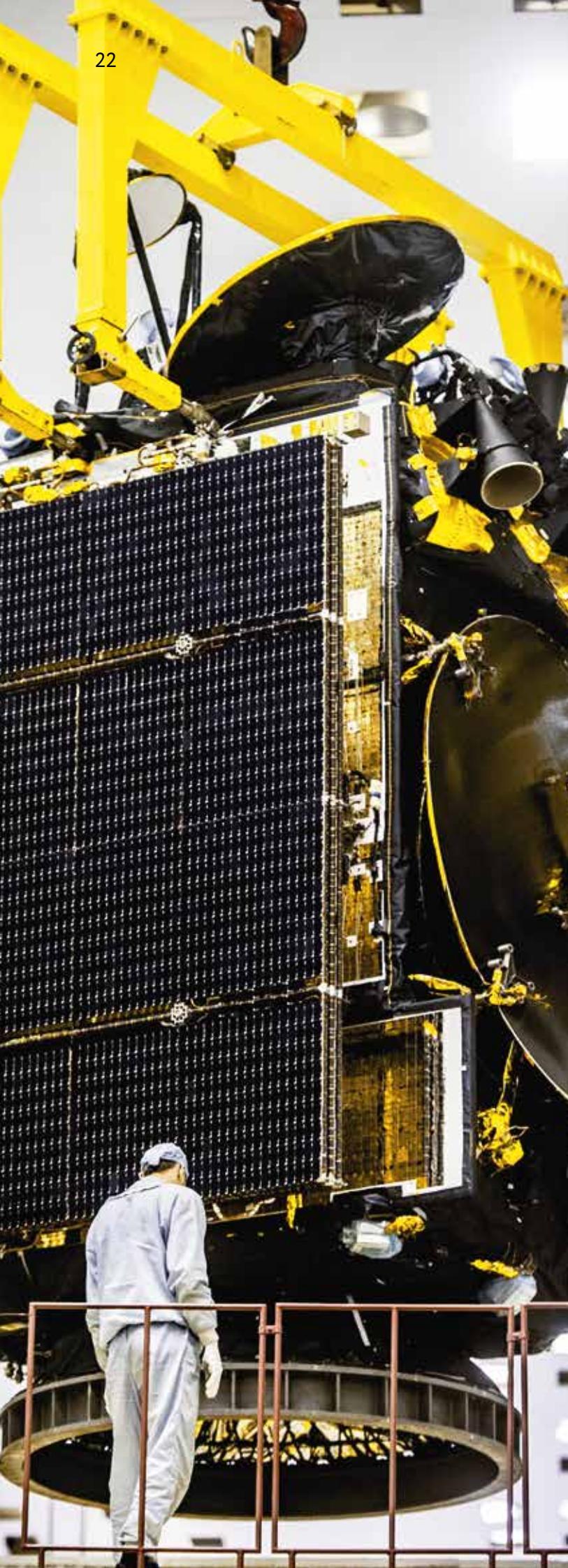


RUSSIAN ECONOMIC AGENDA

- Roscongress Foundation Session. Made in Russia: Creating a National Brand
- Stimulating Demand in the Russian Consumer Market
- E-commerce and the Future of Russian Retail
- Is there an Employment Cost to Agro-Industrial Innovation?
- Sberbank Session
- Destination Russia – Shifting Trends Towards Domestic and Incoming Tourism
- Injecting Dynamism in the Russian Far East Economy
- The Role of the Third Sector in Russia's Socioeconomic Development
- Prospects for the Forestry Industry in a Modern Economy
- Trust or Verify: Shifting Emphasis in Control and Oversight
- The Aims and Scope of Revamping a Tax System
- Localization as a Means to Create a Cluster Economy



- BRICS: Boosting Economic Cooperation
- Financial Markets: The End of Globalization?
- New Frontiers in Scientific Advancement
- Europe in the Crossroads: Risks and Prospects
- European and Eurasian Integration: Possibilities for a New Interface
- The Changing Economics of Transportation and Logistics
- Hydrocarbon Energy: A Vestige of the Past or the Basis for Development?
- The Wealth of Nations: SWFs and their Impact on Economic Growth
- Fake News and the Blurring Lines Between Truth and Falsehoods
- Capitalizing on the Modern Era of Urbanization
- Antimonopoly Regulation in a Digital Economy
- The Cooperative Movement as a Driver of Socioeconomic Development
- Sport – a Space for Trust



EMBRACING TECH DISRUPTORS

- The Coming Revolution in Hyper-smart Power Systems
- The Retail Realities of Augmented Reality
- The Risks and Rewards When Machines Outthink Humans
- The Explosive Impact of Block-Chain Technology
- Evolution or Revolution: How Is Technology Changing the Global Financial Sector?
- Russia's Winning Strategy in the Eastern and Western Digital Race
- Is it Possible to Develop Safe Digital Infrastructure in an Age of Global Cyberthreats?
- The Digital Revolution in Healthcare
- Innovative Development and Protecting Intellectual Property in the Digital Economy



FOCUS ON THE HUMAN FACTOR

- Making Business Out of the Coming Age-Quake
- Infrastructure Development for Social Entrepreneurship and Innovation
- Ready or Not – the Coming Revolution in Education
- Industry 4.0: An Evolving Social Contract for Economies Under Rapid Change
- The New Age of Corporate Social Responsibility
- The Role of the Education System in Building a Digital Economy
- Creative Industries Driving Exports and Enhancing a Country's Image Abroad
- Faith in Philanthropy: From Ethical Guidelines to Professional Standards



- The Economics of Sports: Effective Partnership between the Government, Media, and Business in the Run-up to the 2018 FIFA World Cup
- The Three Factors Crucial to Effectiveness in Healthcare
- Is Big Data a National Asset or a Commodity?
- Global Demand and Priority Areas for Russian Exports
- State and Society: New Approaches to Open Dialogue
- Macroeconomic Policy: From Stabilization to Growth
- Project Planning and its Impact on the Budgetary Process
- 'Rebooting' Russian Development Institutes
- Presentation of the Russian Regional Investment Climate Index
- Opportunities (or Duty) for Russia in the Emerging Global Green Politics
- The Impact of Russia on World Cinema
- The Russian Legal System as a Factor in Attracting Investment

BRIEFING

- Space Technology in Geological Exploration

WHICH MARKET IS GROWING THE FASTEST? RUSSIA



SERGEY MONIN

Chairman of the Managing Board
Raiffeisenbank

Where do you see the global economy going over the next year and how can this impact your own growth prospects?

Well, as regards the global economy, we're not interested in it that much. I mean it's only if there are really big shocks in the global economy that would affect us, then we are impacted. If there are no real shocks, then I mean we don't care whether world growth was 1% or 2%, strictly speaking. We don't even care that much about the development of the Russian economy, because we have 1% market share or a little bit more. However, I mean we can find customers that we like and in any industry, in any phase of the business cycle, it may be more difficult sometimes and less difficult in others but anyway we can. Although there are economic factors that influence us directly. One of them is interest rates, which we think, that since the economy is not going to grow, interest rates are going to go down. We believe in the Central Bank's forecast that inflation will reach 4% by the end of

next year, we fully believe in that. We think that interest rates will probably be about 8% at the end of next year, but then they will further decrease. I also don't exclude the chance that they will not be able to keep inflation at 4%, after it reaches 4%, and I think it will further decrease because the factors that push inflation down now will keep playing a role and inflation could further decrease and interest rates could be much lower than that. So, preparing ourselves to live in that environment is a challenge and that's what we are thinking about.

From the global picture, development is obviously rather slow and we think that it will continue to be slow. So, we don't see any particular changes there, but also we don't expect any big shocks because we don't see really big bubbles to be particularly scared of.

In what areas do you see potential growth for your core competencies?

With our market share of 1%, we are still very diversified. We are diversified between retail and corporate, we are diversified within retail among different segments within retail and private banking, we are diversified in corporate, among industries, among companies of different sizes. And, so basically, the business is deconstructed to the level of several customer segments. And, these customer segments are relatively autonomous in the way they have to perform their normal business goals and entrepreneurial goals, and from that stance what we can do is change our emphasis and transfer a little bit to one segment or another. But we don't want to change this paradigm of being diversified among several segments; we want to keep it that way because we see the benefits of it. Physically we see that one year we make money in one segment, while in another year we can make money just in another segment, and so on. So, we can really see the benefits of

it. And, in that, we will stay as we are. In that we somehow see our mission, as well, to be a diversified financial services provider and within that, what will grow and what will not grow; it's very tactical. Therefore, we will see, once we see it, we will change the chips little bit, then when we see the situation changes, we also change the chips once again. That's basically how we do business here and how we plan to do business further. For example, we can currently see that there is high growth in rouble mortgages. We also see ourselves being very competitive in this market because long rates are lower than short rates and in this situation many banks cannot find an operational model but we can. We know how to deal with it, because we have access to long-term statefunding funds. So, we think that structurally we could to be very competitive for a long time. Mortgages is an area we like and we're prepared to be one of the market leaders there. So, that's what we like in terms of current development, that's what we're putting the emphasis on. But, this can change and once these changes occur, we will also change our bets.

Which markets are you looking to for driving growth?

Russia. I think, seriously, that Russia has become phenomenally cheap in terms of assets, labour, in terms of many things. I think that you can achieve extremely high ROIs in Russia and that's what we've demonstrated over the past few years. It's not a one-off, it is consistently high ROI performance. This combination of being cheap and producing high ROI is the best combination you can find. You cannot find anything better so what you should do is buy it up immediately. Don't delay, buy it up. But, seriously, I think that the best investment is currently Russia and, particularly, given our development, it needs more investments and we would be happy to develop in a more expansive way.

Vladivostok, Russia
6–7 September 2017

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ELVIRA NABIULLINA

Governor of the Central Bank of the Russian Federation



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I BELIEVE IN THE CREATION OF GREATER EURASIA FROM LISBON TO VLADIVOSTOK



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Author and Director of the Federal Agency for Youth Affairs

WHO WILL "MAKE" THE ECONOMY IN 20 YEARS



THE ECONOMY
IS SETTLING
IN TO
CONDITIONS
OF STABLE
LOW INFLATION

THE KEY TASK OF RUSSIAN ECONOMIC POLICY FOR THE MOMENT IS TO TRANSFER FROM ECONOMIC STABILIZATION TO SUSTAINABLE ECONOMIC GROWTH. THE GOVERNMENT AND EXPERTS ARE DRAFTING STRATEGIES TO ENABLE SUCH A TRANSITION.

ELVIRA NABIULLINA

Governor of the Central Bank
of the Russian Federation

There is no single factor or single reform capable of starting the growth engine by itself; comprehensive structural reforms are needed. To accomplish such reforms and make them work, there should be anchors that are clear to all economic stakeholders: a consistent and logical policy implemented by the state and, obviously, macroeconomic stability. The role of the Bank of Russia in the transition to a new growth model is to ensure low inflation and develop a healthy and sustainable financial market.

In the next 5–10 years, the drivers of Russian economic growth will be different from those in the 2000s and early 2010s.

What key factors determine the external conditions under which we will have to develop? The first is the overall deceleration of global economic growth. Although global growth rates have improved somewhat and appear more stable in 2017 than they have for the last nine years following the global economic crisis, this growth still looks flimsy against the rates in the first decade of the century.

The second factor is the absence of clear growth champions in the world that would increase the demand for primary commodities and other traditional Russian exports. China used to fulfil this role but its own economic

growth has now slowed down and is changing in nature: it is now underpinned by consumption, not by export or investments, so this growth is most likely to be energy-efficient. Meanwhile, the supply of energy commodities has increased: shale oil and gas production has gone up, there is a global surplus of metallurgical capacity, etc. Consequently, it is time to recognize the end not only of the 'oil era' but generally of the 'primary commodity super-cycle'.

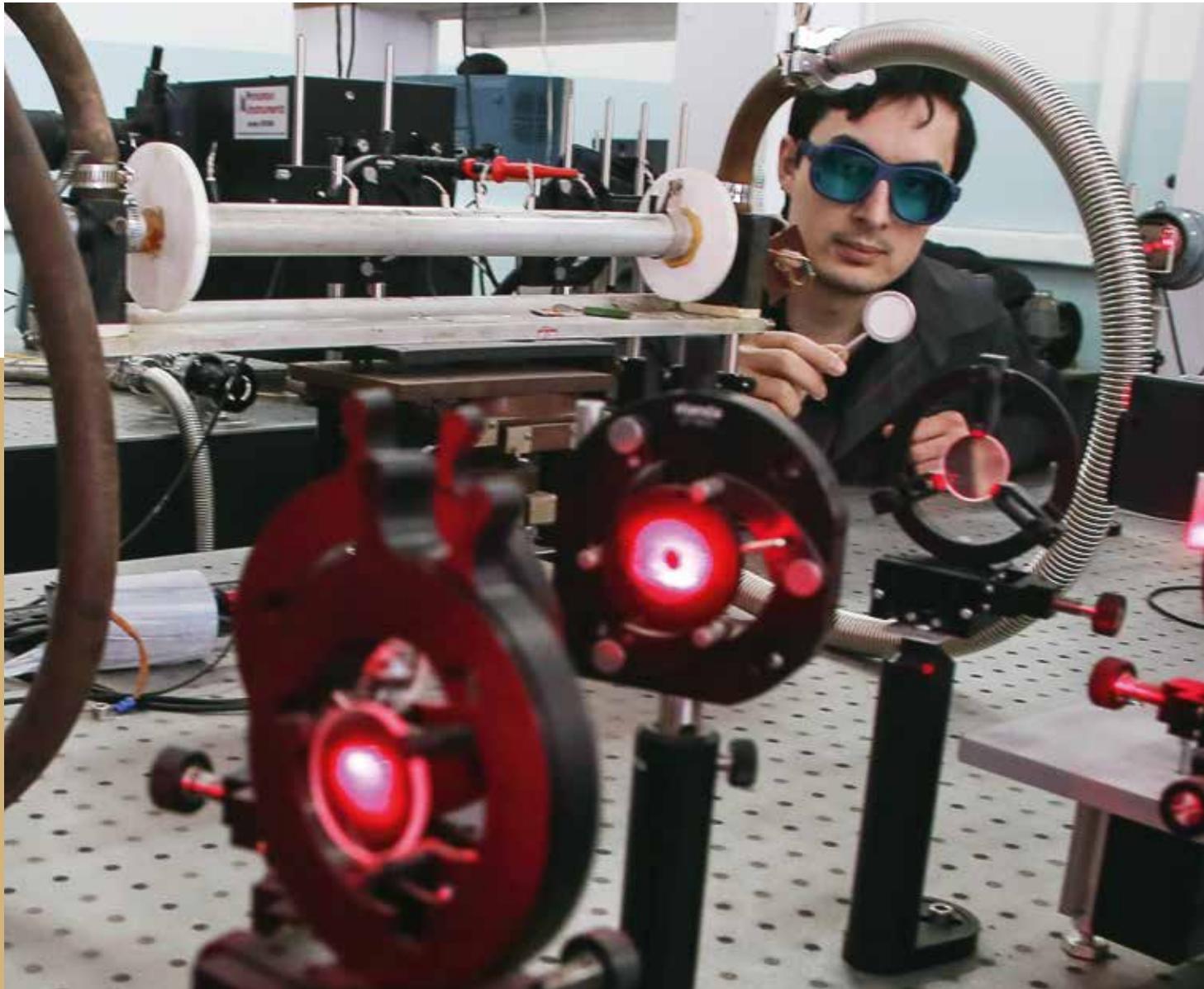
The third factor consists of risks of increasing volatility on global financial markets owing to the quantitative mitigation policy being abandoned by the USA first and then by the Eurozone. Another source of volatility consists in the problems of sovereign debt and the weak banking sector in some European countries, the big external debt of the corporate sector in developing economies, China's high cumulative debt, etc.

This global economic situation creates considerable challenges for the Russian economy and financial markets. Declining growth rates and the global demand for traditional Russian export goods is limiting both growth through exports of such goods and growth of demand for output of non-traded sectors, including the construction industry, which is underpinned by revenue from exporting said

Leaders of the future

Some leaders of the future growth have already emerged: these are agriculture, some chemical industries, certain sectors of the consumer and engineering industries, as well as the service sector, including internal tourism and associated businesses. Even so, a complete set of industries and value chains that would be competitive in the new environment is yet to be established. This would require not so much state support as business initiative to seek profitable new projects and implement performance improvement programmes. In order for such an initiative to emerge and become sustainable, structural reforms are required, including in the financial sector. These need to persuade business that there is a high degree of macroeconomic stability, the financial sector is reliable and capable of providing the services business and private individuals need. The Bank of Russia is implementing a strategic transformation programme in all the said areas.

**CONSEQUENTLY, IT IS TIME TO
RECOGNIZE THE END NOT ONLY OF
THE 'OIL ERA' BUT GENERALLY OF
THE 'PRIMARY COMMODITY
SUPER-CYCLE'**



commodities. New export niches must be sought on global markets and in global value chains.

In addition, there are substantial domestic economic challenges. The potential for growth based on the available resources and capacities is limited. Unemployment is close to its historical minimum, while company surveys show that capacity utilization is close to historic highs. Hence, the key growth potential currently lies in improving the performance of both state and private entities, in cutting costs, improving governance, raising labour productivity, investing, setting up new small and medium-sized businesses and creating the conditions for their development.

As for monetary policy, we can now acknowledge that our economy

» FOR THE MOMENT, THE INFLATION RATE IS QUITE CLOSE TO TARGET

has, for the first time, approached a new and very significant stage of development: operation under stable and low inflation.

For the moment, the inflation rate is quite close to target, so the focus of monetary policy is shifting from mitigating inflation to stabilizing it at the target level. The financial system has already responded to the reduced inflation: interest rates are going down. Securing inflation rates and expectations at a level close to

target will result in a further reduction in interest rates. Lower and more stable long-term interest rates will enhance the capability of business to finance investment projects. Private individuals will become more confident of the safety of their long-term savings, which used to depreciate owing to inflation.

It will take some time for the economy and the population to see the positive effect of transferring to inflation targeting. Inflation



Budgetary policy

Budgetary policy also plays a significant positive role in macroeconomic stabilization. Thanks to the reduced budget deficit and introduction of budget rule, the budget will stop diverting resources from the real economy to finance its deficit, so funds will become available for investment, and budgetary pressure on the economy and the exchange rate will soften.

projects properly, invest private savings accordingly and gain the trust of the population and business. To that end, we will continue our efforts in the following three directions: 1) clearing the financial system of weak and inefficient players, 2) improving regulation and supervision, 3) removing barriers and creating conditions for development of new financial instruments to promote financial resource availability and open new opportunities for business.

An issue requiring special attention in the current circumstances is development of financial technology. Revolution 4.0 affected mostly the financial sector. Despite the relatively small scale of the financial technology industry, its influence is going to grow. It is new technology that will drive the growth of the financial sector.

Progress in financial sector transformation will promote economic growth through a reduction in the costs of financial institutions and service costs for customers and through increasing availability of financial resources. Yet the digital revolution in finance should be navigated carefully to ensure unexpected threats to the economy and financial stability are successfully avoided.

Stable low inflation and a sustainable budget, alongside a healthy financial system, form the foundations for new economic growth; yet bringing this growth to levels above the current moderate forecasts of 1.5–2% in the mid-term will depend upon reforms and the quality of the investment climate. I hope the St. Petersburg Forum discussions will enable us to make another step towards delivering these goals.

expectations are going down but, so far, both business and the population are not sure if inflation is going to remain low, so it is still too early to speak of any fundamental changes in behaviour. Nevertheless, the persistence of the Bank of Russia in stabilizing inflation at a low level and its caution in gradually cutting short-term rates directly influenced by the Central bank should allow a higher degree of trust to be secured in the results of our policy and relevant changes in business practices and people's behaviour.

Economic growth will call for efficient financial institutions, which is exactly why the Bank of Russia's policy is focused on building up a healthy, reliable and efficient financial system able to assess investment



SMART IMPORT SUBSTITUTION: A MATTER OF FASHION OR NECESSITY?

THE GOVERNMENT SET ITS SIGHTS ON IMPORT SUBSTITUTION IN 2014. AT THAT TIME, THE COOLED POLITICAL RELATIONS WITH A NUMBER OF COUNTRIES PUT US FACE TO FACE WITH THE PROBLEM OF ENSURING ECONOMIC STABILITY. HOWEVER, THE EFFECT OF SUCH HARSH MEASURES EXCEEDED EXPECTATIONS OF MANY ANALYSTS AND EXPERTS. SANCTIONS, LIMITED ACCESS TO FINANCING AND ARTIFICIALLY ERECTED BARRIERS TO OUR PRODUCTS EVENTUALLY CREATED ADDITIONAL INCENTIVES FOR THE DEVELOPMENT OF OUR OWN PRODUCTION.



**DENIS
MANTUROV**

Minister of Industry and Trade
of the Russian Federation



Preserving balance

By the way, a number of states – our new partners – have also gone through import substitution. The same BRICS countries – Brazil, India, China. As a rule, states try to refuse from importing in strategically important lines: food, machine-tool building, pharmaceuticals, etc. True, it is important here to avoid demonstrative bans on imported goods, complete rejection of foreign products, termination of cooperation with foreign investors. This mistake was made by some countries of Latin America, which failed to saturate the domestic market with their own products and simultaneously worsened relations with Western partners. We all know the outcome.

The countries of East Asia followed a different path, placing a stake on moderate protection of national goods, expanding the geography of exports, improving the business and investment climate and localizing foreign producers. And here we follow in tracks of international trends. A number of industrial products have different localization criteria, foreign companies can obtain a loan from the FRP and conclude a special investment contract (SPIC). This is a unique mechanism that has already shown its effectiveness; and we intend to use it in the future.

And now this trend continues to develop actively. Moreover, if initially the policy for development was dictated by external factors rather than internal ones, now import substitution has become a natural and dynamic process for our country.

Today, three years later, we can already sum up the first results. According to statistical data, the greatest success was achieved in machine building. Here, in some areas, the percentage of domestic products is only slightly below the maximum. For example, in the machine-building industry, the share of Russian production is 97%, in the energy sector – 77%, in oil and gas industry – 54.5%, in heavy industry – 52.4%. Such figures can no longer be ignored.

To date, in the framework of import substitution efforts, of 1,628 project initiatives provided for by 22 sectoral plans, 678 are being implemented. For their implementation, the resources of state programs and the Industrial Development Fund (FRP) were involved among others. The total amount invested is 105 billion roubles, where the state program accounts for 71 billion, and the share of the FRP is 34%.

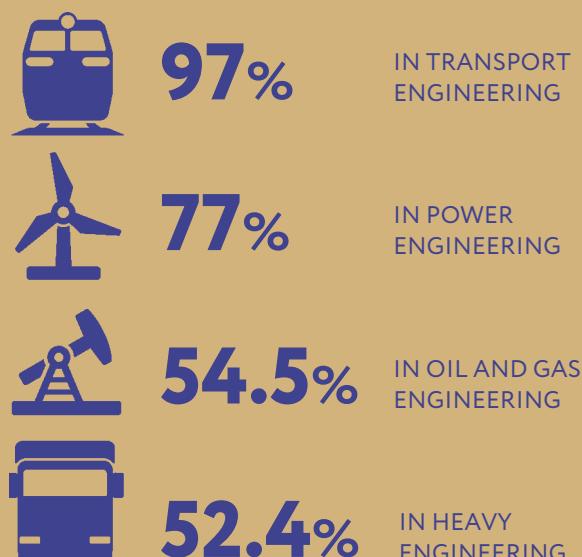
At the same time, businesses invested 270 billion roubles of their own and borrowed funds, that is, each budget rouble accounts for more than two and a half private roubles.

The import substitution strategy has long ceased to be a “political demonstration”, as some experts initially called it. They talked about the low quality of the future domestic products, the populist nature of the program, and the fact that a number of state support measures will remain only on paper. But our best answer to critics and skeptics is the results. 130 production projects have already started production of serial products. Over 32,000 new jobs have been created, of which 16,000 are high-productivity jobs. By 2020 the total revenue is projected to be 500 billion

**THE BARRIERS CREATED HAD
A POSITIVE EFFECT FOR RUSSIA**



SHARE OF RUSSIAN PRODUCTION



roubles. This is several times greater than the amount invested.

Such impressive results were achieved not only in industry, but also in agriculture, the financial sector, and the high-tech sphere. And we do not intend to stop there. Import substitution is still a priority of Russia's political and economic agendas. Even western analysts cannot predict today, when the sanctions and trade wars run out. Nevertheless, the barriers created had a positive effect for Russia. In industry, not only machine building started to grow. 80% of the country's civil helicopter industry, over 75% of its energy engineering, electrical and cable industry, 69.5% of its chemical industry and 97% of its transport sector are ensured by own production.



OUR BEST ANSWER TO CRITICS AND SKEPTICS IS THE RESULTS

Today, import substitution not only solves the problem of national security, but also leads to an increase in the competitiveness and quality of domestic production. The volume of non-primary exports is growing. Russia is looking for and finding new markets – Asia, Latin America.

In addition to direct financial support, we are working to form the demand of Russian companies for import-substituting products at the site of the government commission on import substitution and within the framework of special interdepartmental councils. So, since 2015, together with the Ministry of Energy, we have been interacting with regard to oil and gas equipment in this format. This month, a similar practice has been introduced in our energy engineering, electrical and cable industry.

In aggregate, the taken measures have resulted in exceeding targets for the increase in the share of Russian production in most industries. Only in the last year, transport engineering, timber and oil and gas industry increased this share by more than 10 percent. Heavy engineering, radio electronics, automotive industry and pharmaceuticals saw the growth from 5 to 8 percent. A similar dynamics is maintained in the first quarter.

Of course, everything cannot be replaced completely, and why should we produce something that is cheaper to buy? Still, import substitution should be reasonable. Isolation will not last forever, globalization will still prevail, and it will simply not be possible to ignore such a weighty player as Russia's world markets. Surely, our country will return to the international arena, but not only as the buyer, but also as the seller.

IMPORT SUBSTITUTION BY THE NUMBERS

678 PROJECTS
IMPLEMENTED WITH
INVESTMENT OF



RUB 375 bln,
including

STATE PROGRAMMES

RUB
71
BLN

THE INDUSTRIAL
DEVELOPMENT FUND

RUB
34
BLN

PRIVATE COMPANIES

RUB
270
BLN



AvtoVAZ Chief Designer Steve Mattin
by the Lada XRAY concept car

ALEXANDER TKACHEV: RUSSIA HAS BECOME A SERIOUS PLAYER ON THE GLOBAL FOOD MARKET



MORE THAN
120 Mt

WE HAD A RECORD
GRAIN HARVEST



ALEXANDER TKACHEV

Minister of Agriculture
of the Russian Federation

When summarizing this year's results, you spoke about the record numbers that have been achieved in agriculture and Russia's greater role on the global agribusiness market. What has strengthened our country's position so much?

Russia truly has a lot to be proud of and these aren't empty words, but rather concrete indicators and numbers. They show that from year to year agriculture in our country is demonstrating growth in the main production indicators. As a result, we managed to achieve record results in numerous positions last year. Growth in crop production totalled almost 8%. We had a record grain harvest of more than 120 million tonnes. Russia reclaimed its status as a leading grain power and became the world leader in terms of wheat exports. The harvest of greenhouse vegetables increased by 15% and surpassed 814,000 tonnes. Growth continued in livestock production, largely due to success in hog breeding and poultry farming.

Agriculture has become profitable for the first time in many years and this means it is attractive for investment. In 2016, agricultural production had a profit margin of 17% taking into account state support. The number of profitable farms increased to 87%.

RUSSIAN AGRIBUSINESS HAS BEEN PUTTING UP RECORD NUMBERS. PRODUCTION VOLUMES ARE INCREASING IN SUCH KEY AREAS AS GRAIN, MEAT, VEGETABLE OIL, AND SUGAR. THE GROWTH IN NUMBERS NOT ONLY GUARANTEES THE COUNTRY'S OWN FOOD SECURITY, BUT ALSO EXPANDS ITS EXPORT POTENTIAL AND THE INDUSTRY'S INVESTMENT APPEAL. IN THE RUN-UP TO THE ST. PETERSBURG INTERNATIONAL ECONOMIC FORUM 2017, RUSSIAN MINISTER OF AGRICULTURE ALEXANDER TKACHEV SPOKE ABOUT WHAT AREAS OF AGRIBUSINESS DEVELOPMENT ARE KEY IN THE COMING YEARS AND WHETHER THERE IS A PLACE FOR TRADITIONAL FARMING IN THE NEW REALITY.

A wide range of entrepreneurs are interested in the agro-industrial market, including foreign companies. Investment activity continued to grow based on last year's results. The total volume of financial investments in the industry exceeded 10%. Investors are showing increasing interest in dairy and meat cattle breeding as well as vegetable farming and horticulture despite the long payback period. In 2016, up to 7 roubles of investment were attracted for each rouble of state support. What does this mean? It means that the economic levers used to stimulate the development of the industry are working effectively.

It's important to understand that the growth rates would be much lower if not for support from the government. We are confident that the position of the country's leadership will not change in this regard and that the volume of support will increase, which means that the production volume growth rates will continue at the very least.

How is the growth in numbers impacting Russia's export policy?

Today, we are not only fully meeting the domestic market's needs in most areas in accordance with the Food Security Doctrine, but are

also actively supplying our products to foreign markets. A number of industries, including the fat and oil, sugar, confectionery, and meat processing sectors, are demonstrating serious export potential. The share of agribusiness in Russian exports increased from 2.4% to 6% over the period from 2011–2016 and agricultural exports were valued at USD 17.1 billion as of the end of 2016. The number of trading partner countries has also increased and now exceeds 100. Today we can say that Russia is seriously influencing the global food balance. We are becoming an important player on the global agribusiness market.

Exports are one of the most promising areas in the development of Russian agriculture. The country has resources for this. I'm not only talking about government assistance, but also the integration of additional territories into farming. The area of land used by farmers has increased by more than 30% over the last ten years and reached 42 million hectares in 2016. And this is only the start. The potential here is inexhaustible. We can return up to 10 million hectares of farmland to the rotation, and this means we can have an even bigger harvest, including forage crops and vegetables, which will also be exported.



Growth in production volume is an important indicator, but what about the innovative development of the industry and agrarian science?

In order to supply the country's domestic market with Russian-made products, the Russian Ministry of Agriculture is also working to reduce dependence on foreign breeding and genetics. We not only need to increase volume, but also stimulate innovative activities.

At present, the share of imported sugar beet seeds makes up 80% of the total volume of sown seeds, corn seeds – 44%, sunflower seeds – 53%, and vegetable and potato seeds – 50%. The situation is somewhat better in livestock breeding. We have pedigree breeding stock of hogs and meat cattle. In dairy cattle breeding, roughly a third of the total volume of young breeders is purchased abroad. But there are positive trends. Imports of dairy cattle have decreased by 40% over the last three years. In poultry

farming, dependence on imported breeding materials is as high as 80-90%. Breeders face the challenge of creating domestic breeds of highly productive poultry.

The government is reimbursing expenses on the construction of breeding centres to stimulate work in this area. The first ten seed breeding centres and four genetic breeding centres have already received support.

Today, our agriculture industry is in an extremely important stage of development – reform and modernization. And for this stage, agribusinesses primarily need breakthrough solutions and new scientific focuses in addition to new technologies and machinery.

With each passing year, it is becoming increasingly evident that we need to modernize scientific research and introduce innovative approaches adapted to the new economic realities. In addition, the latest innovative achievements in the

THE SHARE OF AGRIBUSINESS IN RUSSIAN EXPORTS



AGRICULTURAL EXPORTS

17.1 USD BILLION
2016

TRADING PARTNER COUNTRIES





agro-industrial complex are changing the structure of agricultural production. Business is becoming robotic and high-tech. Unfortunately, technological development has resulted in a decrease in the number of employees at modern agricultural enterprises. This problem isn't unique to Russia; it's a problem that the whole world is facing right now. When intensifying production, it is essential not to forget about the social component or about the people

who are willing to work in rural areas and contribute to the development of the country's agro-industrial complex. That's why we titled the main theme of the agricultural session at the St. Petersburg International Economic Forum 'Innovations in Agriculture and Employment in the Agricultural Sector: Searching for a Balance'. It is important for us to listen to the opinions of industry experts, specialists, and scientists on how to harmonize these two areas – innovations, technological progress, and the employment of people who were previously involved in agriculture.

The government's agrarian policy in recent years has aimed to provide systematic and consistent support to small farms. At present, farmers are the most rapidly developing sector of the agrarian economy. Last year small farms increased production by 14%, while growth at agricultural enterprises totalled 8%. With each passing year, the contribution of farmers to the overall loaf is increasing, and today they account for more than 12% of total agricultural production in Russia.

Large complexes are the locomotive for the development of rural areas since roads, electricity, gas, and other infrastructure are built in the areas where they are set up. But farmers can also become the middle class in the countryside and the foundation of the industry along with these major enterprises. We have all the prerequisites for this; we have a foundation and resources to solve this problem.

Today, due to the support tools provided by the government, we have launched hundreds of the most important agribusiness investment projects. If we truly want to become a leading agrarian power, we must stop at what we have achieved. We must move forward.



AGRICULTURE HAS BECOME PROFITABLE FOR THE FIRST TIME IN MANY YEARS AND THIS MEANS IT IS ATTRACTIVE FOR INVESTMENT



40



RATING HISTORY

THE AGENCY FOR STRATEGIC INITIATIVES WILL PRESENT A FULL-SCALE NATIONAL RATING OF THE INVESTMENT CLIMATE IN THE REGIONS AT SPIEF FOR THE THIRD YEAR IN A ROW. WHAT HAS CHANGED AT THE LOCAL LEVEL?

SVETLANA CHUPSHHEVA

General Director of the Agency for Strategic Initiatives

START

The idea of a rating emerged, both at the federal and at the regional level, when a lot of work was being done to improve the business environment. The implementation of the National Business Initiative roadmaps was in full swing as the regulatory and legal framework was actively being updated in such areas as construction permits and the registration of legal entities, registration of property rights, connection to power supply networks, tax administration, and so on.

An investment standard was being introduced in the Russian regions – a set of 15 minimum institutions and tools that investors needed. It was introduced in different manners. For example, in some places investment portals were established solely for reporting, while other places had resources that were actually useful. In some regions, specialised organizations in charge of supporting investors met clients with rickety stools and sour expressions as if to say: we aren't going to help with any projects without a call from above, while in other places each newcomer was treated like family with turnkey support. Be that as it may, changes were taking place.

And then the question arose – how can we make it so that, first of all, the entire federal regulatory and legal framework works equally well for the entire country and, second of all, support infrastructure for investors is truly functional in each region and meets the demands of investors. This is what led to the emergence of the idea of a national rating, which would become a source of information about the efforts by all levels of government to create a favourable investment climate in all of Russia's regions. On the basis

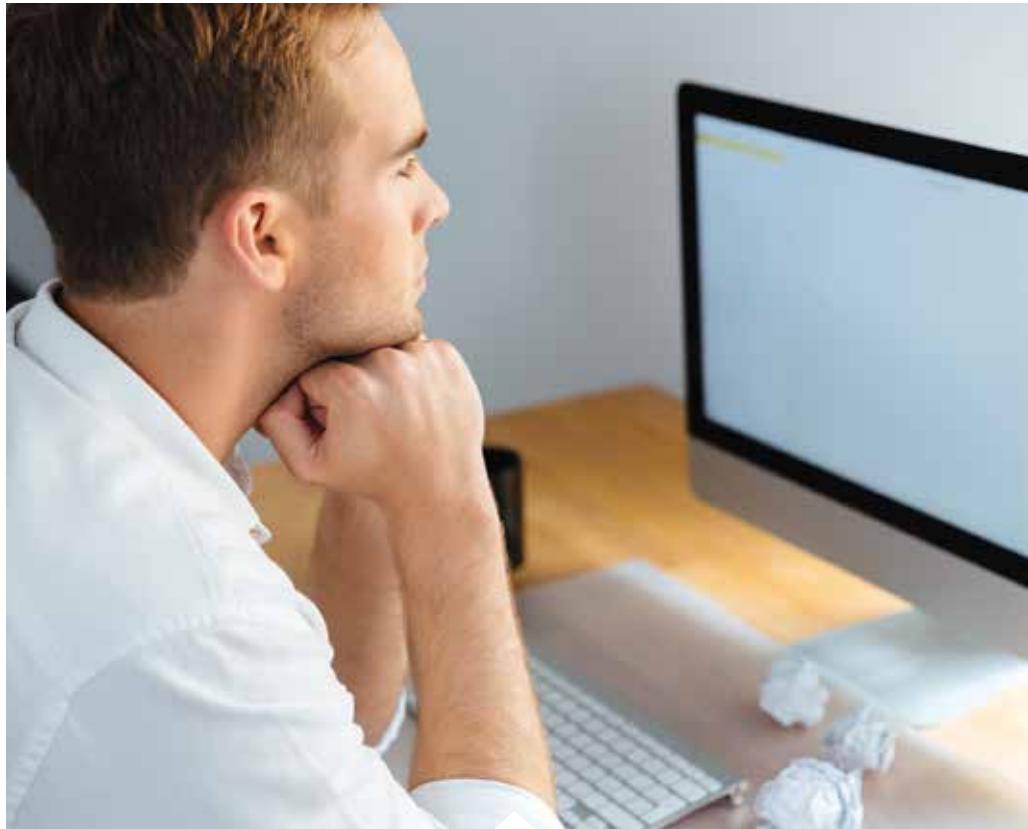
of this data, which was obtained – and this is important – from actual businessmen, it was possible to get a picture in which the missing pieces of the puzzle (i.e. problem areas) were immediately apparent. And as we know, awareness of a problem is the first step to solving it.

In 2014, the ASI and business associations (the Russian Union of Industrialists and Entrepreneurs, Delovaya Rossiya, OPORA Rossii, and the Chamber of Commerce and Industry) presented a pilot rating at SPIEF for which 21 regions were selected. The pilot project broke in the methodology so that full-scale measurements could be made the next year. This is how the history of the rating began.

INITIAL NUMBERS

The results of the first full-scale rating (in 2015) clearly confirmed that the regions vary widely from each other in places where they shouldn't differ in theory. It would seem that since the company registration procedure in the regions is the responsibility of the regional bodies of the federal authorities and federal law is the same, the process should take the same amount of time everywhere. But that's not the case. As the rating revealed, in some places you can register in eight days, while in others it takes all 16 days. Obtaining a construction permit was much worse with a more than seven-fold difference between the best and worst indicators. The rating also recorded significant gaps when connecting to power grids and when registering property rights.

These gaps narrowed considerably in the 2016 rating, and the indicators improved overall. In particular, whereas in 2015 cadastral registration took more than 90 days in the worst-case scenario, in 2016 it was already around 60 days. The



indicators for power grid connection and property right registration also improved slightly, although not quite so drastically.

But despite all this, the overall investment climate in the country remained virtually unchanged: the National Rating's average integral index for the country as a whole increased by only 0.8 points, while the top three leaders (the Republic of Tatarstan, Belgorod Region, and Kaluga Region) remained the same. Why is that? The federal executive authorities improved their work, but the regions lost ground. The indicators associated with the activities of the regional authorities make up a significant part of the rating methodology (34 of 45), and the business surveys for them

Up **0.8** points

NATIONAL RATING'S AVERAGE INTEGRAL INDEX FOR THE COUNTRY AS A WHOLE INCREASED BY ONLY 0.8 POINTS, WHILE THE TOP THREE LEADERS (THE REPUBLIC OF TATARSTAN, BELGOROD REGION, AND KALUGA REGION) REMAINED THE SAME

were negative. At the same time, the regional indicators accounted for more than 50% of the growth demonstrated by the top ten regions.

So why were they negative? Business representatives have become more critical in assessing the correctness of inspections and the number of requested documents (deterioration in this indicator was seen in 76% of the regions). There is a greater no-nonsense attitude among entrepreneurs to manifestations of corruption (worsening in 76% of the regions). The decline in economic growth and budget support impacted the deterioration of the assessment of financial support measures for small business (worse in 60 regions).



THE REGIONAL INDICATORS ACCOUNTED FOR MORE THAN 50% OF THE GROWTH DEMONSTRATED BY THE TOP TEN REGIONS



NATURALLY, THE QUESTION ARISES: WHAT CONCLUSIONS WERE MADE BASED ON THE RATING RESULTS AND WHAT MECHANISMS HAVE BEEN INITIATED TO IMPROVE THE SITUATION?

And here is one more reason why the efforts of the regions are so important. One of the main conclusions that can be made from the rating results is that the regions' work to achieve high positions in the rating affects the volume of private investment and the growth rate in per capita GDP. It was determined that per capita private investment depends significantly on the National Rating index, specifically: an increase in a region's integral index

by 2 points (for example, when the timeframe for power grid connection decreases from 160 to 128 days) corresponds to a 1% increase in per capita private investments in the region.

SO WHAT'S NEXT?

Naturally, the question arises: what conclusions were made based on the rating results and what mechanisms have been initiated to improve the situation?

First of all, back in 2014, immediately after the pilot rating, a collection of best practices was compiled – effective solutions for work with investors from the regions that demonstrated the best results. The collection became the basis for the development of an educational programme for regional management teams. The training resulted in 'roadmaps' being formed in each region on priority areas to improve the investment climate.

Secondly, at SPIEF 2015 the Russian president ordered the creation of specialised organizational headquarters in each region (project offices) that would be responsible for introducing the 'roadmaps'. Simply put, to correct the problems revealed by the rating.

Third, a centre was established at the Russian Academy of National Economy to exchange best practices in public administration and create an investment climate. This centre is now implementing an ambitious programme to improve the effectiveness of regional



Poultry meat plant in the Belgorod Region

Priority areas

- institutions and tools for developing a favourable investment climate at the regional level;
- state cadastral registration of real estate and state registration of rights to real estate and transactions;
- regulation of urban planning activities and improvements in the business climate of the construction sector;
- utility connection of electric energy consumers' power receivers to power grids;
- utility connection of capital construction projects to heat, gas, water supply, and wastewater networks;
- optimization of control and supervision activities;
- stimulation of small business development.



Samsung electronics plant in the Kaluga Region

THE IDEA HAS BEEN SUPPORTED BY THE PRESIDENT AND THE PRIME MINISTER

management teams – deputy governors, city mayors, and heads of regional ministries and agencies, development corporations, and natural monopolies. Representatives of 36 regions underwent training in 2016, and the rest will complete the programme in 2017.

Finally, when it became clear based on the results of the 2016 rating that the main potential for improving the investment climate is concentrated at the regional level, a new solution was developed – target models.

The target model is a set of factors designed to ensure a favourable investment climate for selected priority areas. The target

model answers two questions – what we want to achieve and how to act. The models are developed by working groups comprised of representatives from line ministries and departments as well as entrepreneurs themselves.

The idea has been supported by the president and the prime minister. And now the regional project-oriented authorities are working on introducing target models and should complete the bulk of work by the end of 2017. The rating will show how successful they are. And to be more precise – the assessment will be made by businesses working at the local levels.

I BELIEVE IN THE CREATION OF GREATER EURASIA **FROM LISBON TO VLADIVOSTOK**

THE GLOBAL ECONOMY IS IN THE DELICATE STAGE OF CREATING A NEW MODEL. THE FORMER MODEL HAS EXHAUSTED ITSELF AS WE SAW IN AUTUMN 2008. THIS DOESN'T MEAN THAT PROONENTS OF THE PREVIOUS MODEL HAVE GIVEN UP AND AREN'T SEEKING REVENGE OR THAT ALL OF ITS COMPONENTS HAVE COLLAPSED. THE CREATION OF SOMETHING NEW AND THE DEPARTURE OF SOMETHING OLD IS ALWAYS PAINFUL. CONFRONTATION, CERTAIN FORMS OF CO-EXISTENCE AND MUTUAL INFLUENCE, RETREATS, AND CONFLICTS WILL CONTINUE FOR A LONG TIME. THE PERIOD WE HAVE ENTERED WILL NOT BE AN EASY ONE.





ANTONIO FALLICO

Chairman of the Board of Directors
of Banca Intesa

END OF GLOBAL LIBERALISM

In 2008, a financial and economic crisis broke out in the United States before spreading to the rest of the planet. Technically, the crisis has been overcome, but that's about all. This was followed not just by another cyclical failure, of which there were plenty, but by the end of a model, which for the sake of simplicity we will call the "liberal-global" model.

The U.S. and other countries undertook the standard measures that had always been able to successfully overcome a rough patch and get back on the path to steady development in the past. This is not the case now. They managed to patch up the holes and resume growth at the cost of issuing an enormous amount of money shrouded under the vague term "quantitative easing". However, the scale of such growth is simply microscopic when compared with the volume of additional money supply. Money does not go to the real economy, but remains in the financial, and in many respects virtual, realm. In the U.S. itself, we are seeing a reduction in the population's incomes and the creation of jobs that require low skills instead of high-quality jobs. There is talk about restructuring the country, developing infrastructure,

I'M AFRAID THAT IT'S PRECISELY THE STATE OF THE U.S. ECONOMY THAT IS THE MAIN PROBLEM, ALTHOUGH IT'S NOT ACCEPTABLE TO TALK ABOUT THIS. NOBODY BENEFITS FROM THE COLLAPSE OF THE DOLLAR AND THE U.S. ECONOMY; EVERYONE WOULD SUFFER FROM THIS

and so on as if it's not the world's top economy!

I'm afraid that it's precisely the state of the U.S. economy that is the main problem, although it's not acceptable to talk about this. Nobody benefits from the collapse of the dollar and the U.S. economy; everyone would suffer from this.

In other words, the Americans understand the problem and they intend to deviate from the problem-

solving methods that have been effective over the last few decades. Thus, they recognize that the disease has changed and that they need new remedies.

The situation is complicated by the fact it hasn't been determined at a theoretical or practical level which exact stage of global economic development we are currently in and where we are headed. Perhaps the world is moving towards something more





A TECHNOLOGICAL REVOLUTION ALWAYS FRIGHTENS ITS CONTEMPORARIES, BUT THEN ENDS WITH CHANGES TO THE SCOPE AND QUALITY OF WORK

multipolar and thus something that is more difficult to control and manage in order to ensure a balance of interests? But what will the economic model be in this case? For now the course is being built by feeling things out and by trial and error since decisions have to be made here and now.

This fully applies to the EU, Russia, and other regions of the world.

The euro area was caught up in a paradoxical situation for several years. They were afraid of deflation and offered cheap loans, although nobody took them – neither companies, nor households. Many countries have negative bank interest rates. Now the situation is improving a little, but the difficulties have not been overcome. In the EU, we are seeing a growing battle between Germany, which demands fiscal austerity and the preservation of classical financial indicators, and its partners, who call

for giving preference to stimulating development.

Russia is a part of the global economy and thus affected by all the processes that are occurring now. We are also part of the prolonged discussion about the choice of the Russian economic strategy – controlling budget expenditures and financial indicators or stimulating growth. These disputes, with all their national peculiarities, are comparable with the ones that are taking place in the EU.

ROBOTS CANNOT REPLACE PEOPLE

The relationship between labour and capital today is contradictory, just as it has been in the past. If an overall balance of interests is observed and the situation suits the participants in the process, the social situation is stable. If not, then various cataclysms occur.

For now, it seems the world is far from this point. Threats, including social ones, have a different nature. For example, uncontrolled migration is more dangerous, even more so in a cultural and even religious dimension than as part of the decline in the quality of the labour market.

The scope of labour is also changing in many respects today as more intellectual elements appear. Take the profession of a programmer. Today, a person comes up with a computer programme in the backwoods, and tomorrow he will be Bill Gates. At the same time, there has been an increase in the share of the unskilled labour in which these very same migrants are employed. Could this be why the middle class, which largely consists of hired workers, is declining in size?

This isn't the first time that the problem of changes in the labour market under the influence of technological progress has arisen in human history and it probably won't be the last.

Each technological revolution has replaced humans in terms of performing certain operations. We can recall the methods tillers previously used to cultivate land for one. Our distant ancestors used to dig up the ground to plant with a digging stick, as it's called in Russian. And now?

A technological revolution always frightens its contemporaries, but then



ends with changes to the scope and quality of work, the reallocation of labour resources, the disappearance of certain professions, and the appearance of new ones. This has been a painful process before. Remember the Luddite movement in England some 200 years ago? That even resulted in people who broke new machines being executed and sent for hard labour. Ultimately, though, following the innovative changes in technology, new points of equilibrium were found and changes occurred in the social structure of the population. That is what will happen now.

But let's not forget another important factor. There are certain things that only a person can do, no matter how perfect a machine is created. The banking sector is undergoing rapid automation and a transition to digital technology. But this certainly can't solve everything. So much of everything in our lives will remain within the power of humans – with their knowledge, intellect, experience, character, intuition, and numerous other qualities. Believe me: Intesa Sanpaolo's banking group has 400 years of history behind it. I know what I'm talking about.

THINGS WILL NEVER BE IDEAL, BUT WE HAVE TO STRIVE FOR SOMETHING

What place does Europe hold in the "beautiful new world"? If we proceed from the assumption that the new world is still in its infancy, this place cannot be determined yet.

Obviously, transatlantic ties will remain the pivot for Europe and it will structure itself around this axis. Italy is part of this Europe. It can have more or less influence within Europe and satisfy its national needs more or less. This can happen in different organizational structures. They can be reconstructed. But this situation will not change on the whole.

To what extent will Europe be able and want to regain a greater share of autonomy, especially if the U.S. truly focuses on its own problems, in order to maintain leadership in the long term? I do not have a ready answer to this question.

However, the idea which I support of creating a Greater Eurasia from Lisbon to Vladivostok and Singapore

seems realistic. It does not run counter to the alliance with America, but allows for building a common economic space that would function according to comparable rules. It's not only capable of providing a powerful impetus to the economic development of this super continent, but would also contribute to the consolidation of peace and stability.

And where does Russia fit into this system? We must proceed from what we have. Does Russia have resources? That means their extraction and processing will always be crucial for the Russian economy. Italy doesn't have any, thus its economy has had, has, and will have a fundamentally different structure. There is no need to try to adjust your economy to a particular scheme. Does this mean that Russia should not try to diversify its economy? Of course not. It's important to create conditions for the optimal use of the conditions and opportunities that exist.

The political factor must also be taken into account. Russia has realized that in participating in the international division of labour, it will still have to ensure a high level of technological independence: imports may prove to be an unreliable source. Efforts to restore and strengthen science and education create conditions for meeting this objective. But it's crucial to understand that the creation of competitive products does not ensure automatic access to markets: this requires political support. Examples of Russian civil aircraft construction, nuclear power engineering, and certain other industries have already vividly demonstrated this.

As regards building an ideal world, which I'm often asked about, I don't think that things can get close to being ideal, although it is essential



to strive for this. The risks have not changed throughout history: external factors, the inability of the ruling class to see a little beyond their own momentary interests, an unfavourable confluence of circumstances, even natural disasters and accidents, when all's said and done. What if the young French general Bonaparte had died in 1796 with a banner in his hands during the assault on Arcola Bridge? Europe would then never have known about Emperor Napoleon with all the ensuing consequences, including the Napoleonic Code, which is the basis of modern law on the European continent. In short, the basket of factors is well-known...

THE IDEA WHICH I SUPPORT OF CREATING A GREATER EURASIA FROM LISBON TO VLADIVOSTOK AND SINGAPORE SEEMS REALISTIC

WHO WILL “MAKE” THE ECONOMY IN 20 YEARS?

EVEN SCHOOLCHILDREN NEED TO KNOW
THE BASICS OF FINANCIAL LITERACY



ALEXANDER BUGAYEV

Author and Director of the Federal
Agency for Youth Affairs

THE GLOBAL ECONOMY HAS ENTERED THE ‘FOURTH INDUSTRIAL REVOLUTION’. IT IS CHARACTERIZED BY SHARP GROWTH IN THE IMPORTANCE OF HUMAN CAPITAL. PEOPLE, THEIR KNOWLEDGE, AND ABILITIES ARE WHAT PROVIDE THE MAIN COMPETITIVE ADVANTAGE FOR BOTH GOVERNMENT STRUCTURES AS WELL AS BUSINESS.





In order for the country's economy to be in reliable, professional hands within 20 years, it is essential right now to work with the generation which will be at the helm of economic processes within two decades. This is a difficult, complex task that must be implemented by both the government and the commercial sector. The situation is greatly impacted by the rapid development of the IT, multimedia, electronics, and modern technologies markets, which 30 years ago seemed like science fiction.

At the Federal Agency for Youth Affairs (Rosmolodezh), we are forming professional communities of 18 to 30 year-olds. Young people undergo training as part of a forum-based campaign, and leading speakers from the industry work with the participants. The work does not end at the forums as their participants join other

projects of Rosmolodezh over the course of the year and the best ones are invited for internships at partner companies. Young people who have linked their lives with the economic and financial spheres are introduced to one another and establish a kind of social network of essential and useful contacts in real life. Such a network is already beneficial to them as they

implement projects and, of course, will be relevant as they build their careers, form working relationships, and establish communication.

The 19th World Festival of Youth and Students will be an important event that will bring together young people from around the world. The people coming to Russia from 150 countries will include scientists,

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IT IS ESSENTIAL RIGHT NOW TO WORK WITH THE GENERATION WHICH WILL BE AT THE HELM OF ECONOMIC PROCESSES WITHIN TWO DECADES



WE ARE ALSO WORKING RIGHT NOW WITH THE YOUNGER GENERATION OF CITIZENS AS PART OF THE RUSSIAN SCHOOLCHILDREN MOVEMENT



including in economic sciences, entrepreneurs, and IT specialists on whom the future development of the industry and related sciences will also depend. It is a real opportunity to create a professional community not just within the confines of Russia, but on an international and worldwide level.

The 'You Are an Entrepreneur' federal programme is used to help those who have decided to forge their own path in the entrepreneurial sector. As part of this programme, we work with young people who want to try their hand at developing their own business and take the first steps or who already have their own business. This

includes both methodological work as well as an educational component, of course, and the programme participants are all on the same agenda, with similar aspirations and desires, with a similar outlook on life, although they all have their own work experience, with each one focused on the specifics of business development in their own field, and the regional peculiarities of the market are taken into account. Our programmes and forums feature meetings of representatives of generations that are different and conventionally divided by society. We search for approaches to convey information to each person.



THE LABOUR MARKET WILL CHANGE CONSIDERABLY IN THE COMING YEARS

We are also working right now with the younger generation of citizens as part of the Russian Schoolchildren Movement. It is still too early here to talk about financial literacy and the basics of entrepreneurial activities, but master classes and lectures from economists and businessmen are being held at 'pilot' schools in a number of regions as part of career guidance work.

Training is an important issue. In addition to classical education and additional training programmes, we need to expand the commercial sector's work experience in training the 'work shift'. Many corporations have already taken students under the 'tutelage' from introductory courses at universities, investing resources in their education, inviting them for internships, and providing them with jobs. Thus, the personnel that are required for a given type of manufacturing or business at a particular time are being indoctrinated.

The labour market will change considerably in the coming years. Many specialists will lose their relevance, and many professions that do not currently exist will become part of our lives. Given the growing informatization and robotization of the economy, many jobs may be taken by smart machines, and this is largely the current reality, which we must take into account when thinking about where to employ the personnel that are released in this process.

When choosing their professions, senior students should not rely on the current stereotypes and criteria of 'prestige'. The priorities will likely be different in 5–6 years when the current high school graduates enter their profession. They need to look for new, emerging, breakthrough industries in which taking a lead would allow for achieving new heights in the economy. Once we solve the numerous problems and challenges facing our country, we will have every opportunity to become one of the best and most comfortable countries in the world for living. Such issues include forming a 'smart' urban environment and developing infrastructure, education, and medicine. Only by working together on such strategic issues will we be able to successfully achieve the goals we have set.



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TOMORROW, THE EARTH MAY EASILY TURN OUT TO THE FLAT

A FAMOUS MEDIA MANAGER DWELLS ON THE RELATIVITY OF TRUTH, ON INFORMATION PROTECTION, AND ON MONETIZING ANTICIPATIONS.



VLADIMIR SUNGORKIN

General Director of
Komsomolskaya Pravda Publishing
House, Russia's largest private
media holding

Something big and global has happened in the world. I do not mean the appearance of new gadgets and the related infrastructure, I do not mean that now, you can call your mom from anywhere in the world, you can always learn your location and watch a soccer game with your pal through his eyes. These are all derivatives of the major underlying factor: the role of information in society has radically changed.

THERE IS NO MORE TRUTH

Today, as never before, information is of crucial importance for civilization.

It appears that people have always known that information is important. Yes, it is so, and yet it is not. About thirty years ago, we were taught what information was and how it should be processed. Yet the science of yesteryear was simple and straightforward, and that simplicity was quite enough. This simplicity lay in the following tenet: you are journalists, and you must tell people the truth. A sensible tenet. Hard to argue with it. A ton of milk was produced. 20 hectares of tomatoes were harvested. Wind

broke all the windows. Who is to say that is not true, if indeed it was a ton, 20 hectares, and if all the windows are broken?

Yet when the Internet appeared and gave access to the information space all and sundry, it created a demand for value judgments. Why only a ton? What kind of tomatoes were those? Who is to blame that the windows are broken? And it turns out that the former simplicity is going away, disappearing. Phenomena are no longer self-sufficient. They cannot "live" without a value judgment. And that means that a fact cannot be taken as separate from its interpretation. That is, a naked fact, a fact as such, no longer exists.

Without going into lengthy arguments to support it, I would formulate the following thesis for people involved in governance of any kind and in decision-making. There is no objective truth except for the Lord's commandments. It is best not to arm oneself with statements that there is some kind of truth. Any truth is vulnerable, because any phenomenon is 3-dimensional, it may be viewed from different perspectives, and then you can bore a little hole in it to see what is inside. There is no simple and concise description of any phenomenon that is significant for decision-making, a description that would satisfy everyone. As Dostoevsky once said, humble thyself, proud man. Realize that every phenomenon has a great number of interpretations, and they will all be true, although they will all contradict each other.

As the editor-in-chief of a publishing house, I partly live in the future already and it is awe-inspiring to see the growing importance of nuancing and shading. I would be happy to easily make the determination: this is a fake, and this

is not a fake, but it is not possible. On the other hand, our journalistic art of distinguishing nuances and shades will save our profession. Is chocolate good for you? Does global warming really exist? Is Russia's economy growing or is it in recession? There are no simple answers to all these questions, and those who are able to live in the uncertain world where there is no absolute truth are those who will clearly land on all four. Decision-makers, managers, can no longer be self-reliant, they can no longer survive without an "interpreter," a person who reads the nuances of meaning in the shape of the clouds. A journalist can be such an interpreter. Today, if the media want to survive, it is their duty to become such "interpreters of dreams." Today, the media have a new destiny, and it is within this paradigm that they can be of interest and significance for the audience.

I will say more. Since the mathematical apparatus gains crucial significance for the Internet processes (what people in the humanities call a "discussion" can be translated into the precise language of the big data and treated like a calculation assignment), the battle is brewing for the interpretation of the mathematical laws themselves. Thus far, they are taken as a given. But won't the same fate that befell "naked facts" befall mathematics as well? Won't we be completely plunged into global uncertainty, having lost the last certainty represented by arithmetic? Imaginary values, probabilities and fuzzy sets will become very important for media managers, they will have to immerse themselves into all that and to take part in discussions that might appear academic and artificial to us today, but will not appear that way tomorrow.

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**TODAY, AS NEVER BEFORE,
INFORMATION IS OF CRUCIAL
IMPORTANCE FOR CIVILIZATION**



THE QUANTUM CONSPIRACY

Any decision-maker whose decisions cost the least bit of money is under attack from all sides. Such decision-makers are being manipulated.

To see the manipulation and to see though it, the decision-maker will have to expend certain resources for information protection, information attack, misinformation actions, for sifting and purifying information. We know all these things exist. Yet thus far, it brings about only greater manipulation of people.

A simple example. A whole bunch of experienced editors checks every article in the Kosmomolskaya Pravda for being compliant with the "truth." I regularly hear from the people in power, "We know how newspapers are made. You are all for sale." I would be happy to put everything up for sale, but that's not the case. Yet, despite the editors and reporters' best intentions, despite the multi-tiered fact-checking system, the information picture presented by any news outlet is infected with misinformation.

As a result, the people in power, lacking the understanding of the internal workings of media, of the source of uncertainty, do not trust the media at all. They trust their advisors, experts, information centres, which frequently deceive their clients shamelessly.

When Yuri Andropov came to power, he said that we do not know the society we live in. We have arrived at a situation when we can rightfully say it again. When a businessperson or a public

official makes a decision, they most frequently do not know how this decision is perceived, whether it will work, because they lack a set of quality "starting facts" (even if we understand "facts" in a relativist manner, as I have already said). There has never been such an amount of misinformation out there, and this needs to be taken into account.

There are two theories that explain the dominance of the informational horror. A global conspiracy and the big data theory.

I lean toward the second theory. In our work, we do not really take into account the work of the human brain. The human is an utterly fantastic invention of the Lord or of some aliens. The human brain is not the kind of organ that produces some sterile information. Either it wants to have fun, or it is the way it sees things, or it pays attention to all kinds of trifling nonsense and does not pay attention to important things. Yet today, millions of people are sources of information and misinformation both. Facebook friends, social networks, all that flows into the media.

Having said that, I will now contradict myself, since I would not reject the conspiracy theory straight away. Remember, I said before that no interpretation of reality should be rejected, because like the electron is simultaneously here and billions of kilometres away, and this is its fundamental quantum uncertainty property, so any opinion, judgment, and event has a little bit of "truth" to it, even if we are talking utter fiction.

The conspiracy certainly exists because all the oligarchs have their own information centres, and those centres emanate... I don't even want to call it "information," but some vibes. They receive vibes from others, process and re-emanate them, having previously emphasized what would benefit them. If you make soft drinks, you will say that soft drinks help fight viruses. If you are a public official and you need to give account of the monies expended, you will say that all the viruses are long gone, exterminated a long time ago, glory be to the party and the government. And each time, you will quote some "research," and these researchers will, in turn, quote other "research," and all that creates information noise where one can sometimes catch the loudest note (and this is part of the "conspiracy" because someone produces this note), but more often not even that.

A "conspiracy" understood in the quantum way makes the question of who the bad guys and who good guys are meaningless. Millions of Internet users create reputations and destroy them. There were times when Goebbels fought Stalin and Erenburg conducted an anti-Hitler PR campaign. That was then, and this now. Today, it's everybody against everybody else.

LENIN AS A SALESMAN

Can the media remain a business if they engage in "interpretation of dreams"? Absolutely, since it is the audience that forms the foundation of the media business. It is the audience that they sell



to advertisers or subscribers. The meaning of the media as a business is described with a simple formula. There are certain persons, let's call them journalists, although quite often, they are no longer journalists. They create an audience that is tied to them. It does not matter if it takes place on a website, in a newspaper, or on a TV channel. If there is a person who can assemble their own audience, that person will always find a way to sell their audience. This is business for you.

It has ever been the case, and maybe that person's last name is Lenin. Lenin went and assembled his audience at Finlandsky Train Station in 1917. He said, "Land to the peasants, water to the sailors, and we shall burn the landowners." Everybody loved it. And the audience of the blogger Lenin followed him. Then Lenin says, I have an audience, now we can sell it. Let's sell it in such a way that we will seize the Winter Palace and set up our own government. It worked out. He sold his audience. A political party means getting to the top of "create an audience" game. We got all those likes. Now we can lay claims to seats in the Duma, to taking part in dividing up the cabinet seats.

Now more of the same, but let's leave the government aside this time. I assembled an audience, and that means I can tell it that Frederique Constant watches are cheap, easy to use, and beautiful, and they also look like the real deal. And somebody else will pay me money to shout "Drink Von Houten's Hot Chocolate!" I am perfectly fine with this system.

The memory of the revolutions means that in Russia, any more or less mass story is politicised. It has its drawbacks. We ask: where the media could make money? There is no market in sunny Croatia, but we can get a few crumbs out of meager pie that their audience is. Germany has holdings that move huge amounts of money. In Russia, we can make money on politics. A while back, the deputy Mitrofanov ecstatically told journalists, "How much money do you make off your media? Politics is the way to make money."

Then we should recall that in Russia, economy is rigidly tied to the state. This is why we have situations when a vice governor assembles major advertisers and says, "Remember, you can advertise with this news outlet, and you do not advertise with this one, because it is not ours." I do not consider it a favourable situation.

Here an objection may be raised that there are people in Russia who have successfully cheated the system. They are all by themselves, they are independent, they have an audience, and they sell it successfully. Take Oleg Kashin, for instance. So let's see what's what.

I read Kashin every morning on the Republic and I pay money for it, but I pay the Republic, I do not pay Kashin directly. Kashin alone is not enough for me, I need both Kashin and something else, and this is why I read the Republic. Ksenia Sobchak is



**IT HAS EVER BEEN THE CASE, AND
MAYBE THAT PERSON'S LAST NAME
IS LENIN**





another example. She has hundreds of thousands of fans, yet she works with Dozhd TV channel. Why does Kashin need the Republic, why does Sobchak need Dozhd? At the very least, they need them to optimize the audience-selling technique. So you have a million readers, you will not chase each one asking to give you money. This is looking at things from the blogger's perspective. And now looking at things from the reader's perspective. Here, reader. Here's Kashin, and here are five more Kashins, and here's a report from a journalist on the ground about the US attacking North Korea. Kashin does not have a reporter in North Korea. He will be the last to learn about the attack. And that means that no Kashin

alone, without a system of assistants, junior reporters, and partners will be able to replace the media. And that means that either Kashin builds up that structure thereby creating a news outlet, even if a small one, or he joins an existing news outlet.

I think were Kashin better adapted to the state in his language, mindset, and reflections, the state would have long ago called upon him and said, "Here, Kashin, have the 10 to 12 pm time slot on Channel One, here is the kind of money you will never make on your own." And he would have accepted. By the way, this is the future I see. I see Kashin being just as smug as Solovyov, on a major TV channel. And Kashin will giggle merrily as he says, "No, you are not

using me, I am using you." And he will gain an even bigger audience. Monopolization is everywhere.

AN ALTOGETHER-TOO-EFFICIENT PROPAGANDA

Monopolisation is everywhere, the role of the state is gigantic, and I do not think that the state fails at shaping the kind of picture of the world that it needs. Are there problems in the country? Yes, there are, and they are grave. And do people follow Navalny and Yavlinsky in droves? No. Some dubious opposition members made it into the Duma – the Communist Party of the Russian Federation, the Liberal Democratic Party of Russia. Yavlinsky is not a Duma deputy. All those parties of people's freedom are not represented in the Duma. Does it mean that the state's propaganda machine has done a good job?

Too good a job, I would say. The authorities are losing access to independent information. An opposition is necessary. A pike should live in the lake to keep all fish awake and to be kept awake itself. I think it would benefit the President primarily. Otherwise, the authorities have to purify themselves all on their own, and do it blindfolded, to boot. This is both unpleasant and ambiguous. Governors are being arrested at such a rate that it becomes indecent. Holding a governor's office means a high mathematical probability of ending up in jail. Some office that is: a 15% chance of getting a prison term.

Why is the opposition important as an institution? It is its job to shout out who stole what. A governor will get a fright and will not steal to excess. Before setting up a company that comprises his son and daughter-in-law, he will think, "Aw, hell, I'd better not." He will be better off, he will not go to jail. The authorities will be better off: when people see those endless arrests, they become convinced that every person in power is a thief.

And what if Yavlinsky had been allowed into the Duma? Help him gain 7% of votes. We all understand that this is all regulated. Does Yavlinsky look like someone who will destroy the state? Will he turn into a bomber? No. So where is the risk?



AN OPPOSITION IS NECESSARY. A PIKE SHOULD LIVE IN THE LAKE TO KEEP ALL FISH AWAKE AND TO BE KEPT AWAKE ITSELF



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**WE'RE NOT ONLY HELPING
CHILDREN STUDY, BUT
TEACHERS AND
PARENTS AS WELL**

**HOW THE PUBLISHING HOUSE BECAME A "FACTORY"
FOR PRODUCING KNOWLEDGE**

PROSVESHCHENIYE, AN ACKNOWLEDGED LEADER ON THE MARKET FOR EDUCATIONAL AND METHODOLOGICAL LITERATURE, HAS BEEN AROUND FOR ALMOST 90 YEARS. BUT AS LIFE HAS SHOWN, THE COMPANY IS NOT AFFECTED BY THE WEIGHT OF AGE. ON THE CONTRARY, TODAY PROSVESHCHENIYE IS CLOSELY ASSOCIATED WITH BOLD INITIATIVES AND INNOVATIONS BASED ON MANY YEARS OF EXPERIENCE.

VLADIMIR UZUN

Prosvetlenie Management Company President

The company has moved beyond the publishing house and is developing as an educational holding and a national educational integrator. Prosvetlenie Management Company President Vladimir Uzun spoke about innovations in education, interaction with the Russian regions, and how the holding contributes to GDP growth by training personnel for the new Russian economy.

THE PRIMARY GOAL OF EDUCATION IS TO GROW HIGHLY SKILLED PERSONNEL FOR OUR COUNTRY

What is Prosvetlenie's mission today?

Prosvetlenie was privatized in December 2011. Then in 2014 our country came under sanctions. By that time, we had been accustomed to the fact that any technology could be bought abroad. But access to foreign developments was taken away and limited. So there has been a dramatic increase in the need for training personnel who are capable of creating and using their own technologies and products. This predetermined the development of our company and the need to develop new products and programmes for the education system and invest in new projects.

What is the essence of innovations in modern education? What steps are you taking in this area?

We believe that 67% of today's schoolchildren will work in professions that simply do not exist today. So we try to anticipate these trends and teach the basics of such professions from an early age and, most importantly, we teach them how to study, quickly change their competences, develop the necessary skills, and quickly navigate the labour market, particularly since technology allows for this, and from the age of 3–7 a child can already begin to learn robotics, for example. Another feature of modern education is that it has become continuous. You must be ready to refresh your knowledge every 2–3 years. Based on this assumption, we have created something new – the Prosvetlenie Academy, which offers new knowledge and skills not only to teachers, pupils, and students, but also to parents. We also equip specialized classrooms in schools: medical and engineering classrooms, which provide the opportunity to receive pre-professional training. After realizing two years ago that the number of students would increase significantly and new schools would be built in the near future (3.5 million school places need to be built by 2025), Prosvetlenie appealed to President Vladimir Putin with a proposal to not build "walls and stairs", but to solve the problem comprehensively and create educational institutions that aim to achieve a specific result. Today we are helping to put these proposals into practice.

In your view, is demand for education stable or even growing?

There is certainly a great need for new knowledge, skills, and educational technologies, and not only from the government. Along with our

colleagues from the Higher School of Economics, we have calculated how much our average households spend on education for the year, and it ended up being around 800 billion. We also estimated that one-third of parents in our country regularly invest 5% of their incomes in their children's education, while 10% of parents invest twice as much. During the years when there was thought to be a crisis in school and preschool education, spending by households and the government only increased. The market for educational services also expanded.

The market for supplementary education is also rapidly growing. For example, the scope of services to prepare for taking state exams is worth about 40 billion rubles. This is twice as much as the textbook market. But this is understandable because when a child is given a diploma and enters the adult world, no one asks him what textbooks he studied. The important thing is that he is prepared for this independent adult life.

Nevertheless, publishing textbooks and teaching aids remains one of the top priorities of your company. What do you intend to do to develop new areas?

Producing textbooks is undoubtedly one of the key areas. But this accounts for less than half our income. Our growth points are the market for supplementary benefits and services. This isn't government money. This is money from households and parents that they are willing to part with for modern high-quality products and services.

Or take teachers, for example, who are an important category of consumers for our services. We offer them advanced training courses at the Prosvetlenie Academy. Sure, they

are not cheap courses, but our classes and experienced teachers produce good results. In addition to actual studies, the environment in which teachers are taught is important. Thanks to the Prosveshcheniye Academy, the best specialists go to other regions and abroad, for example to Finland, Singapore, and Hong Kong. This allows them to adopt the best pedagogical practices, including foreign practices.

Supplementary education is a big issue. Cities are growing. Schools are overcrowded. A new school in Krasnodar has twenty first grades. At the same time, in some areas there is not a single facility where kids can do something after school. You can drive a kid somewhere far away, but not everyone has this option. That is why we are opening educational courses and additional supplementary education courses near people's homes – in microdistricts, where there are a lot of people and few opportunities. And there is already great demand for these projects.

Soon our portfolio will feature products that will be associated with specific professions. We are actively interacting with employers and major corporations to determine the most popular professions and specializations of the near future. This is why we are participating in the St. Petersburg International Economic Forum, where we will be able to discuss various options for cooperation to develop human capital for the country and for its economy with all stakeholders – regional leaders and representatives of business and the education system.

THE MOST IMPORTANT THING IS MOTIVATION

Prosveshcheniye takes a case-by-case approach to developments and the publishing of its products. Your partners include, for instance, the Sirius educational centre. What was the reason for your cooperation?

Sirius is a wonderful place to work with gifted children. As they say at the school, "botanists" start playing hockey, while hockey players start teaching math. The most important thing is motivation in education. If there is motivation and children understand where they will go after school, they will learn differently and work differently. In this sense, Sirius is a very good example of a continuous system of education.

Don't you also work for children with disabilities?

A: Yes, we have been publishing textbooks for such children for many years. And this work has continued following privatization despite the fact that it is basically unprofitable. Shareholders made this decision. But recently it has ceased to be unprofitable. Based on orders from the government, we have developed special textbooks under relevant programmes for more than half a million children with disabilities. Our textbooks for visually impaired children, for example, are of great interest to many people and are in high demand. And now we have orders for them both from the regions and from parents.

Prosveshcheniye has close relations with the regions. What makes you so attractive?

There are 43,000 schools in the country and we serve 25,000 of them directly, supplying our products at below-market prices. In addition, based on orders from above, we conduct diagnostics of a region, take into account key economic indicators, staffing needs, and their specialization, and suggest ways to improve regional education systems to solve the region's urgent problems. The Novgorod Region is one of the latest examples. Located between St. Petersburg and Moscow, the region plans to develop tourism. Accordingly, they not only need to better learn the history of their country and their own region, read classical literature, and form communication skills, but also train staff at banks, hotels, and public eateries. It turns out to be a huge cluster. But a child is motivated to study well because he sees how he can apply his knowledge in the future. It is very important that young people do not leave the regions. This is an important factor in regional development.

But what if there is no way to apply your skills in the regions?

A: Yes, for now there is a problem of employment and salaries in the regions. People go where they can better fulfil their needs and where wages are higher. This is normal. To prevent this, regions need to create their own clusters. One example is Yaroslavl, where the IT sector is well developed. Yaroslavl specialists can serve the systems of

any region. In particular, the region handles the parking system in Moscow and is home to the Data Processing Centre. The salaries of specialists there are lower, but the level of professionalism is the same. Ultimately, the higher the class of specialists, the higher their income. There may be solutions in other areas. The heads of regions, education authorities, regional business, and parents are interested in us in this regard.

What is business interested in specifically?

Human potential should be the main focuses of business investment. The earlier a business starts investing in a person, even the smallest person, the greater the guarantees that it will receive the necessary return. Two years ago, Rosatom and Novolipetsk Steel, which have strong personnel development services, did not believe that children should learn about robotics from the age of five. Starting at this age, a child obtains the necessary knowledge and learns how to work in a team. If such kids are made the centre of attention, then when they finish school employers will have a clear idea of who has which competencies and what kind and how they can be useful in their companies.

Vladimir, the last question which I simply have to ask: recently you announced that Prosveshcheniye is preparing to hold an IPO. What are your plans?

A: Yes, we are preparing for an IPO and negotiating with banks. From their standpoint, the company has excellent prospects for a successful IPO. They like our strategy and the company's rate of the company, they are certain that education is a good market, and they understand our role on this market. I think the company is almost ready for the IPO. Perhaps, we won't place shares on the London market, but on the Moscow stock exchange since the requirements of the Moscow exchange are fully consistent with international requirements. We are closely following the latest examples of share placements by domestic companies. Foreign investors have also been involved in these processes. This makes up optimistic.

DIGITAL ECONOMY

IS IT POSSIBLE TO SURVIVE IN THE 21ST CENTURY BY REMAINING DEPENDENT ON RAW MATERIALS?

IT HAS BEEN PROVED THAT USE OF DIGITAL TECHNOLOGY TODAY CONSTITUTES THE MAIN GROWTH POTENTIAL OF THE LEADING GLOBAL ECONOMIES. ACCORDING TO ACCENTURE STRATEGY, THIS TECHNOLOGY MAY CONTRIBUTE AN ADDITIONAL USD 1,360 BN TO THEIR AGGREGATE GDP BY 2020. IN CHINA, THIS ADDITION MAY MAKE USD 418 BN, IN THE US – USD 365 BN, IN JAPAN – USD 114 BN. IN RUSSIA, GDP GROWTH POTENTIAL BASED ON DIGITAL TECHNOLOGY DEVELOPMENT MAY ACHIEVE USD 60 BN CONTRIBUTED BY HI-TECH COMPANIES IMPLEMENTING DIGITAL SOLUTIONS IN THE ENERGY SECTOR, TRANSPORT, HEALTHCARE, AGRICULTURE, ETC.



VIKTOR VEKSELBERG

Chairman of the Board of Directors of Renova Group, President of Skolkovo Innovation Centre (the "Skolkovo Fund")

The economic benefits of implementation of such technology in Russia could be even higher, considering Russia's obvious competitive advantage. We have strong educational traditions in maths and programming. We are global leaders in certain digital technologies; we have a well-developed and globally competitive IT industry. Technologies capable of bringing major economic benefits have been developed in Russia and are ready for implementation. Suffice it to say that, in Skolkovo alone, we have over 250 companies working with big data, digital models and specialised methods for processing them. Equipment allowing big data to be formed has been purchased and installed in various sectors of the Russian economy. Now only some minor additions to the infrastructure for data collection and storage are needed, which won't require significant CAPEX.

Implementation of Russia's potential in the sphere of digital economy requires, among other things, a special approach to be elaborated for catch-up development. Such an approach should not be viewed in competitive terms

("catch up and outdo"), or in terms of "substituting" foreign technologies with domestic ones. It should be developed in the context of innovative technologies with a good competitive position on the global market. Implementation of such technologies will provide the basis for the digital economy ecosystem, for fulfilling relevant economic and social tasks, for new quality jobs.

The Industrial Internet of Things (IIT) is one of the high-potential areas. This is the language used for writing the history of the Fourth Industrial Revolution.

Projects in this sphere constitute a strategic business line for Renova Group. Key competencies are concentrated in some of our business units that are currently working to improve solutions allowing different devices to be integrated into the network and for a common language to be provided for them. This will allow us to resolve the key issue for the industry: integration of the already available IIT systems of various industry sectors, healthcare, insurance business, etc. into a unified system. Industry 4.0 is no longer just a theory, it is one of the most advanced technological and management practices applied in Russia. For example, "Prana",

GROWTH POTENTIAL

USD 1360 trn

CAN ADD DIGITAL TECHNOLOGY TO THE COMBINED GDP OF THE LEADING ECONOMIES IN THE WORLD



the technology platform developed by the Russian company Rotech, is operating with the future. This is the prognostic system allowing not only for the current status of turbines and mechanisms at power stations to be determined but for their future status to be described on the basis of mathematical algorithms and relevant adjustments made if the process deviates from the optimal parameters. It is well known that the annual loss in energy grids amounts to 9.4% and, in heat transfer networks, up to 18%. In 2015–2016, power stations with a generating capacity of over 25 MW and 110 KV electricity grids suffered 4.5 thousand accidents, 20 of which had system-wide consequences. Accident incidence

rates and the level of the consequences may be reduced by applying predictive analysis methods for collecting and processing data about power equipment operating modes, including changes in scheduled maintenance if abnormal loads and other non-standard operating modes are identified.

Separate cloud-based storage of data about operating modes should be established to identify the root causes of losses and failures. Common standards for data collection and processing should be developed and implemented, as well as emergency alarm systems. Predictive analysis algorithms will allow an early warning to be given about possible breakdowns and man-made



Transport sector

Creation of a digital economy stipulates active IT implementation in the transport sector. Traffic safety improvement may be possible owing to development of accident prevention mechanisms, including automatic assessment of driving style and quality. And there is such a system available in Russia: currently, its pilot implementation is taking place at the Skolkovo Innovation Centre. It controls violation of traffic rules and dangerous driving by public transport drivers and it also identifies hazardous sectors for planning urban infrastructure improvements.

This automated assessment of drivers' features will allow drivers with systemic traffic violations to be disqualified and thus road accidents with their participation to be prevented.

Use of the ERA GLONASS system will permit 100% of the telematics data about passenger traffic in major cities and then across Russia to be collected and processed. Applications of this system for insurers will allow discounts to be obtained on third party liability insurance, thus providing an incentive for private drivers to install telematics equipment.



developing economies, meaning that, in certain sectors, we may turn from average performers into not ones that are trying to catch up, but into real leaders. And there is no paradox in this. The world is changing so rapidly that the boundary between catch-up development and breakthroughs on certain markets and areas might be disappearing. And there has already been a period in our history when we turned from catching up to leading – in space exploration, for example.

Even so, rapid growth of the digital economy in Russia may be possible only if companies with Russian capital focused on domestic market start forming demand for the technology and competencies of the Internet age. Adaptability of government institutions and their potential to become drivers of change and supporters (not barriers) are also especially relevant during the digitalization age. Countries unwilling to lose the global competition are, therefore, striving to create a comfortable environment for hi-

“Precision farming”

Digital technology has a great potential in agriculture and it is already becoming visible in Russia. “Precision farming” technology is based on automated generation of recommendations for farmers permitting intensified cultivation of land and ensuring up to 30% crop yield growth with a simultaneous 20% cost reduction.

Developing a cadaster-based, regularly updated digital map of farm lands is the basis for digitalization of agriculture and a mandatory precondition for precision farming.

Use of photo survey data supplied by Russian satellites and organization of access to the requisite spectral band data supplied by foreign satellites allows an agro-chemical database with specific land plots to be developed. This will result in real-time assessment of land use efficiency, including forecasts for fertilizer application, crop yield and risk assessment for loans issued using government subsidies, etc.

RUSSIA TRADITIONALLY HAS VERY STRONG SCHOOLS OF MATHS, PHYSICS, CHEMISTRY AND INFORMATION TECHNOLOGY

disasters. This will help prevent major accidents, like the one at the Sayano-Shushenskaya Dam in 2009.

The story of the solar energy sector in Russia is an interesting example. Hevel Solaris, a subsidiary of Renova and Rosnano, created a cluster to manufacture high-performance solar modules in Russia. This project would be impossible without systemic support from government development institutes. In line with the localization requirements introduced in Russia, specialists at the Ioffe R&D Centre in St. Petersburg developed a domestic solar technology with one of the highest efficiency ratios in the world – up to 24%. The acquired experience may be scaled up both in Russia and in other

tech companies and businesses. Countries with higher incomes (the USA, UK, Netherlands, Singapore and Canada) are also creating the R&D infrastructure required for new knowledge generation and technology development.

Such a policy may be implemented not only in entire jurisdictions but also in separate clusters created in a specific region of a country (or in cross-border clusters made up of territories of several countries). Such clusters offer additional (“soft”) infrastructure: services cutting the costs and risks of hi-tech businesses, regional programmes for sourcing and hiring the best professionals.

Of course, all of this is relevant for Russia, but let us be frank: today our

country is not yet among the leaders. If it continues this way, we will be losing competitiveness by the year and our chances of maintaining (let alone improving) our current position on the industrial market will be very low.

Russia traditionally has very strong schools of maths, physics, chemistry and information technology. We know that there are professional investors in advanced technology, including global players, in Russia. The key task is to help them find one another.

Our Skolkovo team has been doing a lot to support the owners of new knowledge (both in technology and in business) striving to set up their own businesses based on such knowledge. Such support includes a range of professional services, from assistance in understanding the specifics of the market situation in various sectors to providing direct contacts with potential customers and transaction services. This is an important element of the digital economy soft infrastructure in our country and I am sure it will bring noticeable results very soon.

ECONO



66 »

ALEXANDER SHOKHIN



President of the Russian Union of Industrialists and Entrepreneurs

WE STILL NEED TO SUBSTANTIALLY REFORM OVERSIGHT ACTIVITIES

The quality of the business environment and degree of the protection of entrepreneurs' rights continue to define the state of the business climate in Russia

70 »

KIRILL DMITRIEV



CEO of the Russian Direct Investment Fund

SOVEREIGN INVESTMENT FUNDS AS A DRIVER OF ECONOMIC GROWTH AROUND THE WORLD

Interest in Russia among global investors is constantly increase and it has nothing to do with energy prices



MY



74 » ANATOLY CHUBAIS



CEO of RUSNANO

INNOVATIVE SECTORS
ARE WHERE THE
MOST IMPORTANT
CHANGES ARE TAKING
PLACE

The development of high-tech industry is important not only for "winning the global race". Often such industries change the face of the economy as a whole

82 » GARY BLUMENTHAL



President of World Perspectives, Inc., USA

IMPROVING
AGRICULTURE EFFICIENCY
IS QUITE SIMPLE

The objective of "growing more food" is being solved using modern technologies, however the result may prove to be discouraging



THE QUALITY OF THE REGULATORY ENVIRONMENT AND THE REGULATORY AND SUPERVISORY ACTIVITY: BUSINESS COMMUNITY ASSESSMENT

THE QUALITY OF THE REGULATORY ENVIRONMENT AND THE LEVEL OF PROTECTION OF THE RIGHTS ENTREPRENEURS ENJOY LARGELY DETERMINE THE OVERALL STATE OF THE BUSINESS CLIMATE IN RUSSIA.



ALEXANDR SHOHIN

President of the Russian Union of Industrialists and Entrepreneurs

The annual survey of the business climate by the Russian Union of Industrialists and Entrepreneurs (RUIE) has conducted since 2007 demonstrated that in 2016, the rights of 42.9% of companies had their rights violated by the authorities; for 7.2% of them, it was a regular occurrence; and for 35.7%, those were isolated incidents.

Compared to 2007, the number of companies whose experience of violation of their rights by the authorities was confined to isolated incidents grew from 25.9%

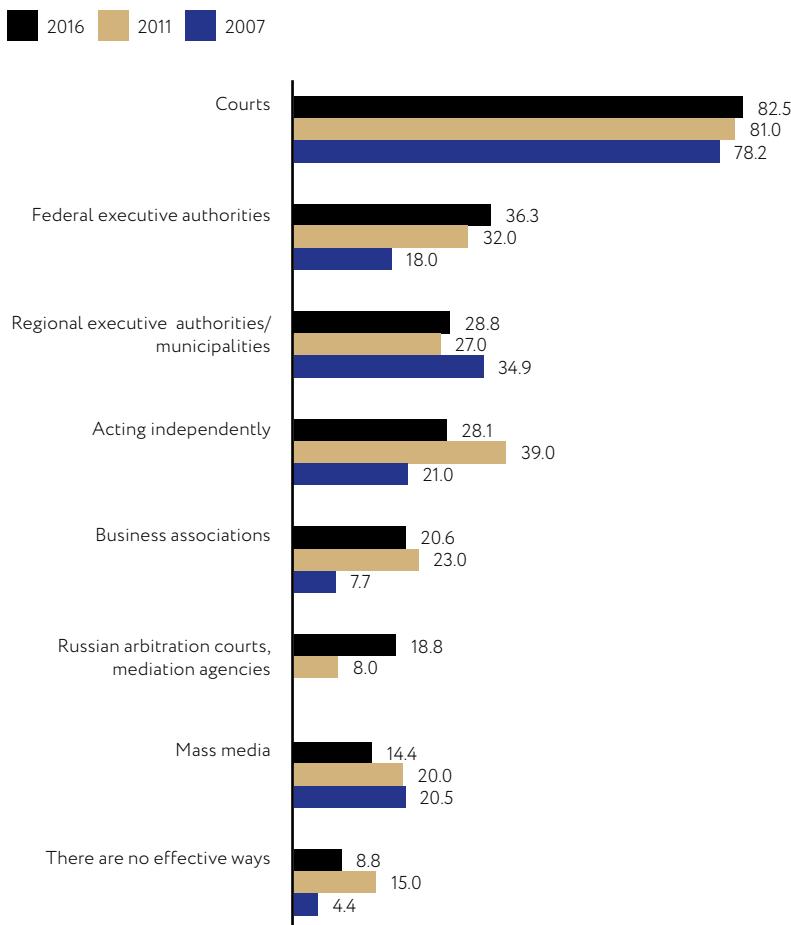
to 35.7%. In 2016, organizations encountered illegal actions by the authorities with greater frequency than a decade ago.

In case of a conflict, companies believe that filing a court complaint is the most effective way of protecting their rights: 82.5% of respondents marked that option. In 2007, their number was a little lower, 78.2%.

The next most popular answer in 2016 was "turning to federal executive authorities"; it was marked by 36.3% of respondents. The popularity of this answer doubled compared to 2007. At the same time, the effectiveness

» **THE NEXT MOST POPULAR ANSWER IN 2016 WAS "TURNING TO FEDERAL EXECUTIVE AUTHORITIES"; IT WAS MARKED BY 36.3% OF RESPONDENTS**

TODAY, A COMPANY CAN MOST EFFECTIVELY PROTECT ITS RIGHTS AND RESOLVE CONFLICTS BY TURNING TO... %



This is a three-answer question, the sum total of figures does not yield 100%.

of turning to regional administrations or municipalities for the protection of one's rights was in lesser demand: it lost 6.1% over the last decade. 28.1% marked the option "the most effective way to protect one's rights is to act independently."

One fifth of the respondents believe that the most effective way is turning to public business associations and similar bodies. Over the last decade, this answer grew in popularity over 2.5 times. A decade ago, this option was marked by 7.7% of respondents.

18.8% of companies trust Russian arbitration courts and mediation agencies. Their number grew by 10% since 2011.

Businesses are becoming more and more actively involved in litigation; in 2016, only 14.5% of companies were not involved in

litigations. In 2009, when the question about court practices was asked for the first time, their share was 35.9%. 74.5% were involved a litigation with a contraparty; compared to the data of five years ago, their number grew by 23.5%, and it grew by 32.8% compared to 2009. In 2016, 33.1% of organizations were involved in a litigation with governmental authorities.

The procedure for an out-of-court consideration of disputes with the tax authorities helped 47.1% of respondents who had recourse to it to save both time and money. For 42.9%, the situation did not greatly change. One-fifth of the companies experienced a spike in time consumption. The number of disputes won grew for 7.1% of organizations. 2.9%, on the contrary, responded that the number of disputes won decreased. 33.3% of respondents believe that their chances to win a litigation against other regulatory and supervisory authorities (RSA) are high rather than low. In 2016, 8.2% of companies assessed their chances as high. 14.5% are convinced that winning a litigation against other RSA is impossible.

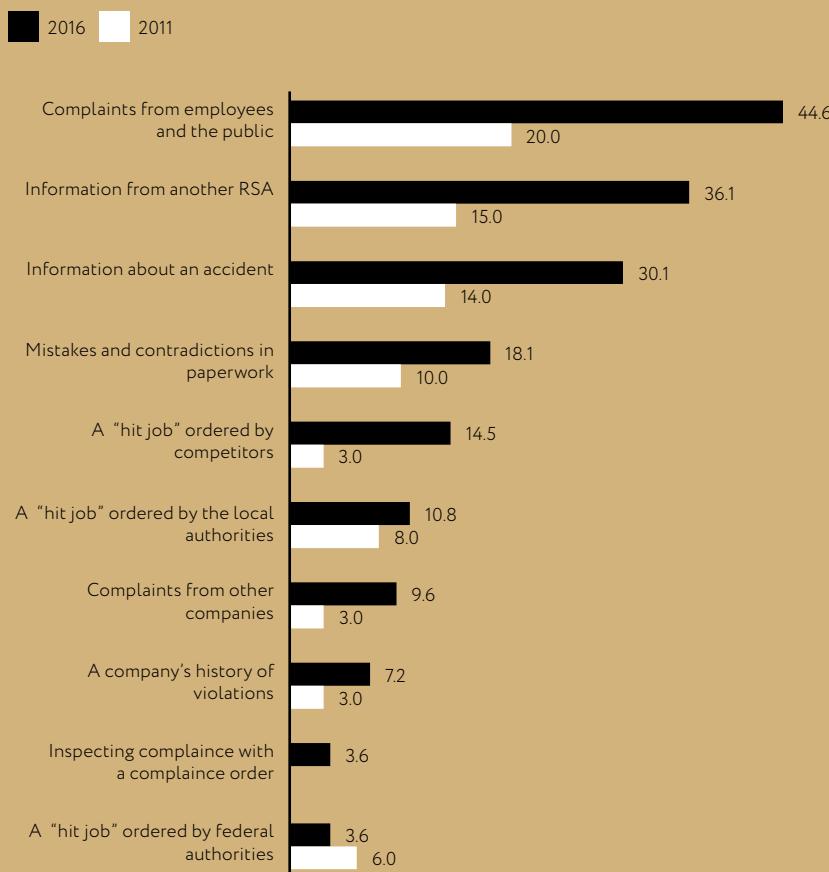
On the whole, it is precisely the work of regulatory and supervisory

Chances to win

If the opposing party is another entrepreneur, a company's chances to win the case are high, the respondents believe. 31% of respondents chose the "chances are high" option, and 62.4% believe their chances to be high rather than low. Compared to 2007, the number of responses "chances are high rather than low" grew from 54.1% to 62.4% due to the drop in those choosing "chances are rather low than high" option.

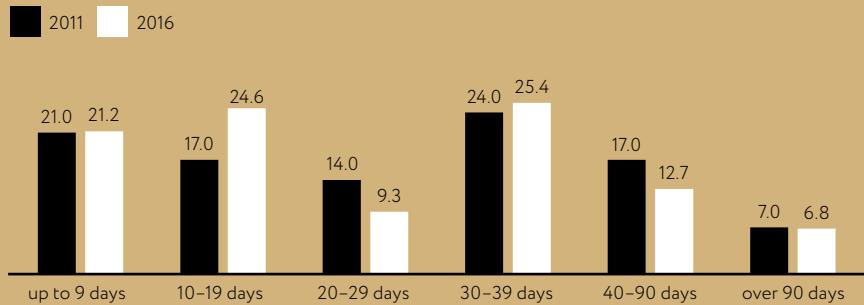
The chances of winning in court against regional or municipal authorities are lower than the chances of winning a case against another company: 40.9% of companies assessed their chances as low rather than high, and 12% believe they virtually do not stand a chance. Compared to 2007, the companies are less pessimistic: the number of the "virtually no chance" responses is twice as low, and the "chances are rather low than high" answer lost 8.9%. 15.5% of respondents believe that a tax inspectorate will be the unquestionable winner in a litigation. 33.8% assessed their chances as low rather than high, and the greatest number, 42% opted for "chances are rather high than low" answer. Over the last five years, the situation has improved: the number of respondents saying "chances are high rather than low" grew by 12.8%. As regards a mandatory out-of-court consideration of tax disputes, 49.3% of organizations had recourse to the procedure in 2016.

REASONS FOR SURPRISE INSPECTIONS OVER THE LAST TWO YEARS, %



This is a multiple-answer question, the sum total of figures does not yield 100%.

THE DURATION OF A COMPANY INSPECTION FROM THE START OF THE INSPECTION TO THE COMPLETION OF THE INSPECTION CERTIFICATE, %



authorities which perform regular inspections of companies to verify compliance with regulations, standards, certificates, licenses, and patents, that largely determines the administrative burden businesses experience. The inspections are

conducted on a large scale: in 2016, 93.6% of the companies surveyed underwent scheduled inspections, and 54.2% underwent surprise inspections.

In 2016, 44.6% of companies said that surprise inspections were due to complaints from employees or the

public. Compared to 2011, the number of respondents choosing this answer almost doubled, but even back then, the "complaints from employees or the public" option held the first place among the possible reasons for a surprise inspection.

Over a third of respondents indicated that surprise inspections by regulatory and supervisory authorities were conducted due to information about violations received from other regulatory and supervisory authorities. Only 15% chose that answer in 2011.

14.5% of businesspersons answered that surprise inspections were a "hit job" ordered by competitors. Only 3% chose that answer five years ago. Complaints from other companies were reasons for surprise inspections in 9.6% of companies; this number has tripled over five years.

The median duration of an inspection in 2016 (from the start to the completion of the inspection certificate) is 20 days.

In 2016, the company named requesting documents in excess of legal regulations as the main drawback in the work of regulatory and supervisory authorities. This option was chosen by 43.6% of respondents. In 2011, it was chosen by 53.2%, and by 30% in 2007.

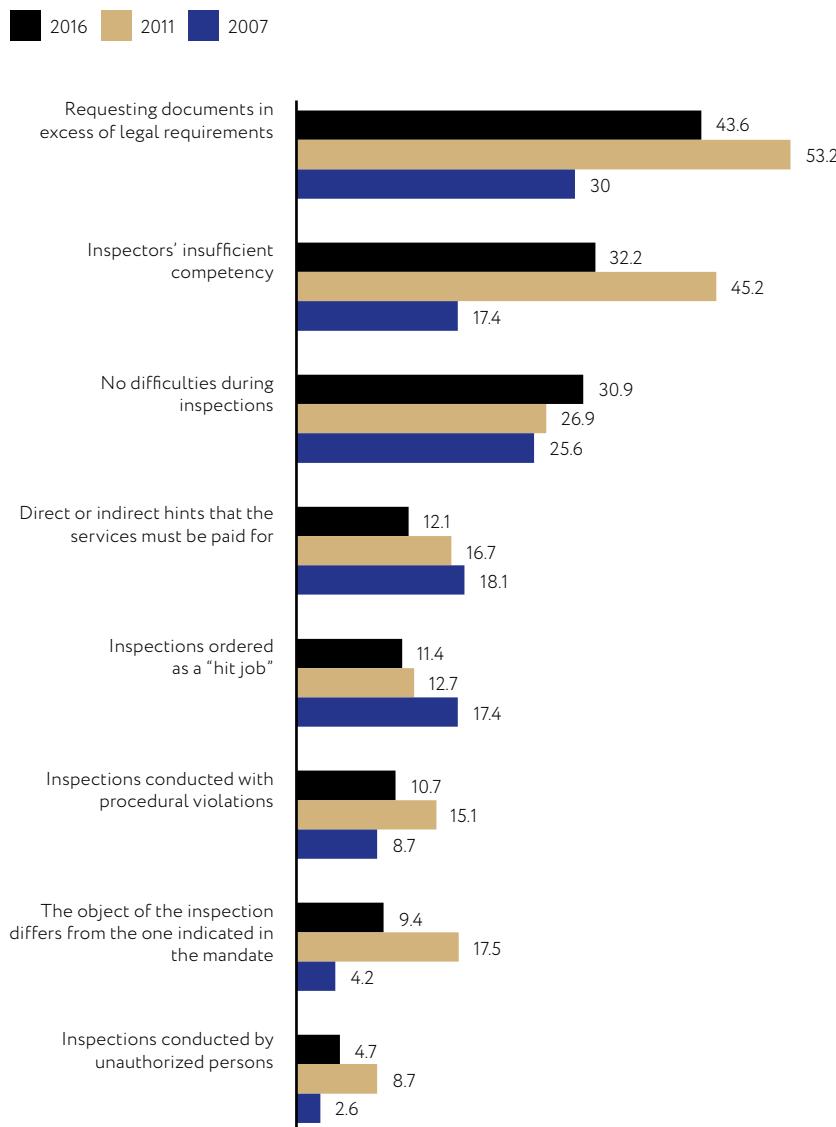
A third of the respondents noted inspectors' insufficient competency. In 2011, this answer was also the second most popular in the list of drawbacks in the work of regulatory and supervisory authorities with 45.2%. In 2007, its popularity was lower with 17.4%.

30.9% of companies experienced no problems during inspections. Ten years ago, 25.6% of organizations gave that answer, and 27% chose it five years ago.

Following these first three variants after a significant gap is "direct and indirect hints that the services must be paid for" answer. 12.1% encountered such incidents. The significance of this answer is gradually dropping.

In 2016, another question was added to the questionnaire concerning the problems with mandatory requirements regulatory and supervisory authorities set for companies.

Drawback in the work of regulatory and supervisory authorities when conducting inspections in 2007–2016, %



This was a multiple-answer question, the sum total of figures does not yield 100%.

The business waits for the federal law

A separate area of activity is constituted by work done on introducing mechanisms for limiting the inspection of regulated entities' compliance with requirements that are not included in the lists compiled by federal authorities in accordance with paragraph 1 of part 2 of article 82 of Federal Law "On the protection of legal entities' and individual entrepreneurs' rights in the course of state control (supervision) and municipal control"; work is also being done on revising said lists with the aim of making them more convenient for use, including in the part pertaining to the identification of a mandatory requirement and the circle of persons it covers.

The business waits for the federal law "On the governmental regulation (supervision) and municipal regulation in the Russian Federation" to be adopted.

It is necessary to amend the current legislation so that it would enhance the accountability of officials from regulatory and supervisory authorities for violations these authorities commit.

51.7% of respondents stated that the main problem was setting new, unexpected mandatory requirements in the process of inspection.

A little over a third of companies chose the option "contradictions between mandatory requirements set by various executive authorities."

30.2% of organizations named outdated mandatory requirements that are at odds with today's level of scientific and technical development as a problem for businesses.

When interacting with regulatory and supervisory authorities, 29.3% of enterprises are impeded by duplication of mandatory requirements.

22.4% of respondents encountered mandatory requirements with no connections to safety and security; requirements are set for the quality of products, manufacturing processes, etc.

Much has been done to change the situation. Intensive work is being conducted as part of "Reforming regulatory and supervisory activity" principal area of the strategic development of the Russian Federation.

Much has been done to introduce a risk-oriented approach into the regulatory and supervisory activity.

In April, draft regulatory instruments should be ready introducing the rule that establishes the "one in – two out" principle when a new mandatory requirement can be introduced on condition two mandatory requirements are removed.

In summer, suggestions will be submitted on the procedure and methodology for codifying regulatory instruments that form the legal basis of the regulatory and supervisory activity, the procedure for establishing codifying authorities, and for financing the appropriate work.

On the whole, there is still much of work to be done to reform the regulatory, supervisory and licensing activity, and the Russian Union of Industrialists and Entrepreneurs is actively involved in this work. This will allow for the excessive burden on businesses to be reduced and for the Russian jurisdiction to be made more attractive.

SOVEREIGN WEALTH FUNDS AS A DRIVER OF GLOBAL ECONOMIC GROWTH

THE ST. PETERSBURG INTERNATIONAL ECONOMIC FORUM (SPIEF), WHICH IS OPENING ITS DOORS ONCE AGAIN TO THOUSANDS OF PARTICIPANTS FROM DOZENS OF COUNTRIES AROUND THE WORLD, IS A LANDMARK PLATFORM FOR GLOBAL BUSINESS. EVERY YEAR, SPIEF IS THE VENUE FOR THE LARGEST MEETING OF HEADS OF SOVEREIGN WEALTH AND INVESTMENT FUNDS WHICH CUMULATIVELY CONTROL MORE THAN \$10 TRILLION IN ASSETS. AS ALWAYS, THIS YEAR'S MEETING WILL BE ORGANIZED BY RDIF AND WILL OFFER THE MOST RESPECTED INVESTORS IN THE WORLD A CHANCE TO DISCUSS TOPICAL ISSUES AND ASSESS THE CASE FOR INVESTING IN RUSSIA, BOTH AMONG THEMSELVES AND WITH THE PRESIDENT OF THE RUSSIAN FEDERATION VLADIMIR PUTIN.





KIRILL DMITRIEV

CEO of the Russian Direct Investment Fund (RDIF)

This year's SPIEF discussion promises to be particularly interesting, as several factors have converged. These are: the growing role of Russia on the global stage; China's ambitious plans; the political course of the new U.S. administration; Brexit and the political developments that have taken place in Europe in its wake; and the unprecedented actions of oil-producing countries to achieve balance on the oil markets. All of this is taking place against the background of global economic instability, the threat of international terrorism, and the need to address environmental issues and climate change. We are witnessing a new reality, characterized by turbulence, multi-polarity and a combination of

seemingly unrelated trends. In such a situation, the key theme of SPIEF 2017 – "Achieving a New Balance in the Global Economic Arena" – is more relevant than ever before. Russia can play a role in ensuring this balance, and it can do so largely thanks to its transparency and cooperation with the world's leading investors.

RUSSIA AS AN INVESTMENT IDEA

Interest in Russia grew significantly last year. There are a number of reasons for this: the economy withstood sanctions, as well as falling oil prices and the devaluation of the rouble. Eventually, both the rouble and oil prices stabilized, which was also an important factor for investors. The country's leadership, along with the financial and economic ministries of the Government and the Central Bank, played a decisive role. The economy is gradually gaining momentum, and the low level of public debt continues to help Russia stand out from many other countries. The country's growing investment potential has not gone unnoticed either. A record number of leaders of the largest sovereign wealth and investment funds in the world have confirmed their participation in the annual meeting with the President of the Russian Federation, co-organized by RDIF. This year's meeting will be attended by the heads of funds and companies from North America, Europe, the Middle East, India, China and Japan, among many others, with a combined capital under management of more than \$10 trillion.

- Judging by experience, as well as the deals that have been concluded over the past few years at SPIEF, we can say that investors are becoming increasingly interested in agriculture, healthcare and infrastructure. Several key areas can therefore be identified as investment ideas within Russia:
- Non-core assets of state monopolies and major companies that can be sold or leased;
- Regional development projects;
- Agriculture, which has received significant boost due to state support and import substitution programmes, as well as the devaluation of the rouble;
- Infrastructure, including air and sea ports and telecommunications. At the same time, great prospects



Meeting between Russian President Vladimir Putin and representatives of the international investment community in 2016

have opened up for placements on the stock market in early 2017. The IPO of "Detsky Mir," a chain of department stores selling products for children, opened the door for several other Russian companies to release shares into the market, causing much excitement among investors from the United States, Europe and Asia. Thanks to its participation in the IPO, the Russia-China Investment Fund (jointly established by the Russian Direct Investment Fund and China

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THE ROLE OF GLOBAL SOVEREIGN WEALTH FUNDS HAS GROWN SIGNIFICANTLY SINCE THE FINANCIAL CRISIS OF 2008–2009



Investment Corporation), which invested into the company before the public offering took place, was able to record an annual profit of over 90% in the dollar equivalent. The "Detsky Mir" IPO was soon followed by those of PhosAgro (a fertiliser producer) and other flagship Russian companies. Investors are actively interested in purchasing shares in these companies. Such investors include the world's leading sovereign wealth funds (RDIF partners), which has not been the case in the past.



SOVEREIGN WEALTH FUNDS AS A DRIVER OF GROWTH

The role of global sovereign wealth funds has grown significantly since the financial crisis of 2008–2009. Against the background of weak budgetary systems in many countries, it is sovereign wealth funds—which have accumulated trillions of dollars under management—that are capable of becoming the drivers of growth for both the national and the global economies. A number of trends can be observed here. The first is the creation of country partnerships between sovereign wealth funds and the investment funds of individual countries, as well as the use of the co-investment model, according to which money is invested by the funds on a joint basis. With the establishment of RDIF and the first investment platforms based on it, Russia has been at the forefront of this process, which has become especially popular in recent years. The second trend is the continued diversification of the geography of investments as fund managers seek to optimise their portfolios in a situation where assets around the world are depreciating in value and there are simply not enough quality projects to invest in. Examples include the UAE's Mubadala Investment Company and Saudi Arabia's Public Investment Fund,

which are looking for, and investing in, the most promising projects around the world. The third trend is the amalgamation or reorganization of funds in individual countries, such as the merger between Mubadala and IPIC in the United Arab Emirates, which now have \$125 billion under management.

We will see these funds becoming more and more active over the next few years, both globally and, jointly with RDIF, in Russia. This cooperation with RDIF will include activity in other countries. Sovereign wealth funds are increasing the amounts that they are investing, allocating money to developing markets. Their investment strategies are becoming more dynamic and focused on developing a global presence. In time, investments will start to play a decisive role in resolving interstate cooperation issues, and their approach will be more pragmatic in nature, taking the national and business interests of all parties into account.

SPIEF participants and guests will be able to hear about these and other trends in the work of leading sovereign wealth funds at the panel discussion: "The Wealth of Nations: SWFs and Their Impact on Economic Growth," which will be held under the auspices of RDIF and its international partners as part of the SPIEF programme.

IT IS INNOVATIVE INDUSTRIES THAT ARE EXPERIENCING THE MOST IMPORTANT CHANGES

HEAD OF RUSNANO GROUP ON THE INNOVATIVE ECONOMY,
ALTERNATIVE ENERGY AND ROBOTS THAT REPLACE PEOPLE.





ANATOLY CHUBAIS

CEO of RUSNANO

ALTERNATIVE ENERGY FOR THE ECONOMY

It is vital for Russia to create an innovative economy. Major efforts are required to accomplish this, at the government, public company and private business levels. Take, for example, the alternative energy sector. The experience of all

countries that have succeeded in setting up this sector demonstrates that two elements are required for success. The first is a system of state support measures and incentives. The second is a sophisticated industrial complex where private investment plays a decisive role. This is obviously a simplified picture, as there are also other components, yet these two are the key ones.

In Russia today, renewable energy accounts for less than one percent of the overall energy balance. Even so, this is where the main changes are taking place. A key condition has been created in the country for development of this sector: a system of state support measures for renewable energy, for its basic types, including solar, wind and landfill energy. The foundations were laid back in 2007, when we drafted the second edition of the electric power law. We had lots of discussions and disputes, including with many colleagues who now work for RUSNANO. Two paths were considered. The first was to use the state budget to stimulate development of the renewables industry. The other was to use the wholesale energy market, which we were setting up at that time. We chose the second option and it is now clear that if we had taken these costs from the budget, Russia would have remained without renewable energy forever.

Yet that was only the beginning. Over the last four to five years, tremendous work has been done by ministries and the government: a set of most complex decrees has been developed that do not just make construction of such power stations economically viable but also create the conditions for construction of plants to manufacture equipment for such stations in Russia. Only after all those documents were finalized and signed did it become possible to move to building power stations and localizing production.

In fact, in cooperation with Viktor Vekselberg's RENOVA Group, RUSNANO had embarked on this somewhat earlier, well before all the state support mechanisms were set up. We took a long run and jumped straight over the line. Curiously enough, the landing was successful. Now we not only make world-class solar panels at the Hevel plant in Chuvashia but also build solar power stations. Private business is joining us in this sector, building plants to manufacture solar panels. Consequently, it may be acknowledged that the Russian national solar power startup is a success. This might be not all that visible so far: solar generation has just exceeded the 100 mW threshold, while the entire installed capacity is just over 240,000 mW. Yet this is already a conveyor that cannot be stopped. Wind stations with an overall capacity of 3,600 mW are expected to be built in the country by 2024.

As for wind energy, a support system is already in place for this as well. Now we have to set up manufacture of equipment and components and start building wind farms.

Even so, this is not easy path. In developing a new sector, RUSNANO often encounters a lack of understanding. We are often asked why we are making everything ourselves instead of simply importing it. But let's imagine what it is like to import, for instance, wind turbines. Each blade is 65 metres long and cannot be disassembled. A wind turbine is a most high-end product of huge size made of state-of-the-art nanocomposites. Essentially, there is a simple alternative: 1) make Russia an importer of this sort of product or 2) develop a new industry in the country with overall estimated investments of RUB 440 bn through 2024, and the second is a much more promising option. That is why the RUSNANO Board of Directors recently endorsed a major project to build dozens of wind power stations in Russia with investments totalling approximately RUB 100 bn, of which RUB 30 bn will be furnished by us together with Fortum Concern. The Ulyanovsk Region will be our pilot area, with the first Russian 35 mW wind station to be commissioned there in late 2017.

« 400

RUB bln Russia needs in investment
to create a new industry



PARADOXES OF RUSSIAN CAPITALISM

In the last few years, if not decades, there have been continuous disputes in Russia as to what is more efficient – private business or public private partnership. Private business is time and again blamed for not being willing to invest in R&D. Yet the conditions in the country are often ignored in these disputes. The Russian private sector behaves just as it is supposed to under the given circumstances. The fundamental reason is the historical weakness of two basic institutions of the market economy. One of them is private ownership and the other is competition.

Private ownership in Russia is not really private and not exactly ownership. As Mikhail Zhvanetsky said, 'what we call sour cream is not, in fact, sour cream'. Businessman Oleg Deripaska also once expressed

RUSSIA IS NOT IN A VACUUM – THERE IS THE REST OF THE WORLD, AND IT IS GROWING

an idea that comes down to the following: "I have nothing that is mine; all this has been given to us for a while to manage". He came under furious attack for this statement but, unfortunately, it is true. The very institution of private ownership in this country is faulty. It can be argued that it is still young, recently set up, but 25 years is actually enough time. Yet it is perceived, if not with hostility, at least with scepticism. Speaking of my apartment that I personally bought, then private ownership is obviously

the right thing. But when it comes to an aluminum plant of the same Mr. Deripaska, how is it that he uses our subsoil for his own benefit? This is a historical specificity of our mentality, which is also reflected in the state policy. If we look at the statistics, the share of private ownership in the Russian GDP has dropped by almost 50% over the last fifteen years.

This fundamentally undermines the appetite for innovation. Innovations are necessary for cutting costs and reaping more profit. Yet all this property I own is not really mine and the profit is not entirely mine either, so why would I spend money? The situation surrounding competition is somewhat similar.

In the meantime, such factors can have a critical effect on the state of our economy. Russia is not in a vacuum – there is the rest of the world, and it is growing. The average annual GDP increment is 3–3.5% globally. The forecast for Russia is 1–1.5% for the next 3–4 years, or 2% with some luck. What does this mean? In the first place, it means that Russia's power in the world is going to diminish. Second, Russia will be falling increasingly behind the developed countries in terms of per capita GDP (that is, living standards!). And the third consequence is the most painful. It affects the economic sectors that are centrally financed out of the state budget, from defence and to education. Poor growth rates of the Russian GDP mean inevitable strategic weakening of the Russian army and deteriorating education compared to other countries.

These three consequences together suffice for concluding that there is nothing more important for the country than bringing Russian growth rates up to average global levels. In fact, politicians, experts and our President are all agreed on this. But it is impossible to make





such a leap – from 1.5 to 4% growth – without fundamental structural reforms.

BREAKTHROUGH TOPOLOGY

RUSNANO is celebrating its tenth anniversary in 2017, so there is additional interest in the Group's activities. We are often asked if any new breakthrough technology has emerged in our portfolio over this period. The answer is yes. For instance, in 2013, we took part in setting up OCSiAl, a company that manufactures a product called a single-shell carbon nanotube in Novosibirsk. This is an absolutely unique project, not just for the country but for the entire world. I am absolutely positive that there is nothing like it in the world so far.

Carbon nanotubes are rolled graphene sheets 1 nanometre in diameter (1/50,000th of the

Social politics RUSNANO

Yet RUSNANO performs social functions as well. For example, the Group is participating in building nuclear medical centres all across the country for diagnosing early stage cancer. Oncological survivability is 80% in Great Britain, 75% in Germany and 40% in Russia. And some more figures: survivability is 82% if the cancer is detected at the first stage and 12% if it is detected at the fourth stage.

There are multiple thousands of human lives behind these figures. Our project creates conditions for radical reducing of cancer-attributed mortality. This is really life-saving.

diameter of a human hair). They are characterized by high strength, elasticity and electric conductivity. Nanotubes are used as additives to other materials to improve their properties.

Active negotiations with 75 major technological companies

from the World Top 100 and tests of our products are now in progress. The process may end in a week or, alternatively, we may find out in three months' time that additional tests are necessary. Nevertheless, we have already made some sales, although I can't mention any names



ROBOTS ARE AN EXTREMELY POPULAR TOPIC. ARE THEY GOING TO KILL THE LABOUR MARKET?



as we have signed confidentiality agreements with virtually all the customers. Sometimes, we are not even sure ourselves what product the customer is going to add our nanotubes to as they might not share their developments with us.

DON'T BE AFRAID OF ROBOTS!

The way technological progress is going to change human life in the coming decades is being actively discussed lately. Robots are an extremely popular topic. Are they going to kill the labour market? Many economists and futurologists today argue that robotisation will get rid of 40% workplaces and people will be left without jobs. I can't say I have analysed this in great detail but I don't think this is logical.

There is a classic example from a Soviet film called *Moscow Doesn't Believe in Tears* when someone says that, in a few decades, there would be nothing left – no theatre, no cinema, no books – only television. The robotization forecasts are more or less the same. Emergence of any large-scale new sector always leads to some

other industries disappearing. But usually this is accompanied by new sectors appearing that are related or unrelated to these novelties. Robotics also brings an entire innovative cycle that is yet to be built. So far, robotics are exotic. Yes, BostonDynamics impresses us with its miraculous four-legged horses: that's nice, but there is, so far, no large-scale industry behind this and BostonDynamics remains a money-loser, which means there is no real demand for its product as yet. Even so, the development of this industry will inevitably lead to a large number of workplaces – and this is argument A.

Argument B is that, in my opinion, we fail to see main occupations that will unfailingly emerge in the very near future. For instance, there is the vast topic of physical disability, which we have finally started to understand and discuss only recently: from a barrier-free environment to letting a Russian disabled singer perform at Eurovision.

Putting this topic aside, there is the subject of mental disability, which,

in my opinion, is larger in scope and unfortunately growing more dramatically (for so far scientifically unaccountable reasons). Let me touch upon just one element of this: autism. Figures from trustworthy sources show that one of every 68 newborns suffers from autism. And these figures are more or less the same for California and Ryazan and Africa. What can modern healthcare and the social security system offer such people? As a general rule, it offers late diagnosis, at around 7–8 years of age, when the child is already formed, and then they usually diagnose schizophrenia and put the person in a psychoneurological dispensary. It is hard to imagine anything more terrible.

Meanwhile, it is well known that, although autism is incurable, still, given appropriate support, a child can become capable of inclusive education – not only in secondary school but also in higher education, with subsequent employment. Yet such people usually need special housing, where there is a tutor to explain everything to them and look after them, for instance, to make sure they don't turn on the gas. The system for supporting such people, given that one in every 68 children is, in fact, born with autism, has to be huge. Just imagine the number of workplaces this can create. And I am not talking here about highly-professional psychologists doing Aba therapy. I'm talking about ordinary, not highly qualified social workers who are simply able to communicate with people and help them. Nobody has counted how many workplaces will be required in this sphere; nobody has the slightest idea. Now, those who are crying about catastrophic unemployment threatening us because of robotization most likely just fail to see this. For in no way can these workers be replaced by robots. This job can't be done without a human soul. That is why I don't really believe all these forecasts predicting mass unemployment.

Drafted with the consent of
RUSNANO based on an interview
with Anatoly Chubais by The
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MAXIM KASHIRIN'S WINE STRATEGY



IN RECENT YEARS, THE NAME OF THE COMPANY SIMPLE HAS BECOME A SYNONYM OF QUALITY FOR WINE LOVERS IN RUSSIA. BELOW, THE COMPANY'S FOUNDER AND GENERAL DIRECTOR, VICE-PRESIDENT OF 'OPORA RUSSIA', MAXIM KASHIRIN SPEAKS ABOUT THE COMPANY'S STRATEGY, NEW VISTAS AND ABOUT WHY WINE BUSINESSPEOPLE NEED VODKA.

MAXIM KASHIRIN

General Director, Simple Group

Maxim Kashirin holds the Order of Merit of the Italian Republic, the National Order of Merit of France in the field of agriculture and has won many international awards.

The authorities and business have long argued about granting wine a distinct status on the alcohol market. Government support for Russian vine growing and wine making increased fivefold after wine making was at long last brought under the jurisdiction of the Ministry of Agriculture in August 2015. Although imported wines, which is the main business of the Simple Group, received no new preferences, the company was pleased that the problems of the wine industry had come to the government's attention. It is not only about import-substitution.

If people switch from hard liquor to wine, it would improve the people's health and raise the cultural level. And health, of course, is not only a social but also an economic category. Yet we have to start our rise to a bright future from a low base.

Russia today has 85,000 hectares of working vineyards (compared with 115,000 in the French Bordeaux region alone). By 2025, the Agriculture Ministry expects to double the area under vineyards but that is a drop in the ocean considering the growing demand. Especially because Russian consumers have realized that what makes wine interesting is its national diversity. Many are used to the high



YOU HAVE TO REMEMBER THAT CULT WINE MAKERS OFTEN PRODUCE ON A VERY SMALL SCALE AND THEY ARE VERY CHOOSY IN PICKING IMPORTERS AND COUNTRIES TO WHICH TO SELL A FEW CRATES OF THEIR PRECIOUS **CUVÉE. SO ONE MIGHT SAY THAT RUSSIAN CONNOISSEURS ARE LUCKY: THERE ARE FEW PLACES IN THE WORLD WHERE YOU CAN FIND ALL THE BEST STUFF AT ONCE**

quality wines from classical wine-making regions in Europe and on other continents.

We started our business in 1994 by supplying wines from several wineries in Italy. Now Simple's portfolio features several thousand wines from all over the world, a wide range of hard liquors, mineral water and natural juices, accessories and glasses. The Group today includes the Simple Wine News publishing house, Enotria Wine School, SimpleWine room and Grand Cru and SimpleWine Bars. We employ more than a thousand people. Traditionally, we invest generously in promoting wine-drinking culture in Russia.

In many countries, companies with a portfolio of high-end wines for connoisseurs are unable to compete with big alcohol holdings selling cheap popular brands. The Russian market is different. Simple is the biggest importer of wine in value terms and, at the same time, has Russia's best collection of top wines and rare wines. You have to remember that cult wine makers often produce on a very small scale and they are very choosy in picking importers and countries to which to sell a few crates of their precious cuvée. So one might say that Russian connoisseurs are lucky: there are few places in the world where you can find all the best stuff at once. We are also gradually enlarging our portfolio of top-range strong liquor in the most popular categories.

Selling wine via the Internet is a growing industry and we hope it will soon be legalized in Russia. But we should not forget the individual consulting service. Simple pays particular attention to working with private and corporate clients.

The range of our services includes everything connected with wine: from renting out glasses for big events to building wine cellars, from buying Bordeaux en primeur to maintaining wine collections abroad.

Wine consumption in Russia is still fairly low (7–8 litres per person per annum compared to 22 litres in the UK and about 40 litres in France), but the tastes and interests of the people who can afford quality beverages are in line with world trends. For example, more and more companies use wine as an element in corporate culture. If you assemble your staff at a symphony music concert, this sounds great but not everyone would be genuinely happy. A wine-tasting session with an effective choice of specimens conducted by a top-class sommelier is a safe bet. Wine is the best gift, like a book was in former days.

We recently launched our own wine production in Georgia and we have other interesting projects about which it is too early to speak because we are thinking in terms of decades. Yet the first thing we put on the market was not wine. Simple's portfolio never had its own strong alcohol brand but, if we think of selling hard liquor, it has to be vodka, our national heritage. We unveiled Onegin vodka in October 2016. It took us some time to prepare for launching this product; we thought out the concept very thoroughly. We considered every minute detail and did our best to stress the quality and promote a new aesthetic of consuming vodka. I was very anxious to see how the brand and the very idea of vodka from Simple would go down with consumers. The reaction was very favourable, sometimes ecstatic, which made me very happy.

World famous

The portfolio of the Simple Group includes more than 450 suppliers from 42 countries, such as Louis Roederer, Lanson, Sassicaia, Frescobaldi, Joseph Drouhin, Bouchard Père & Fils, Armand Rousseau, Vega Sicilia, Penfolds, Hine, Frapin, Symington, Nikka and Dalmore.

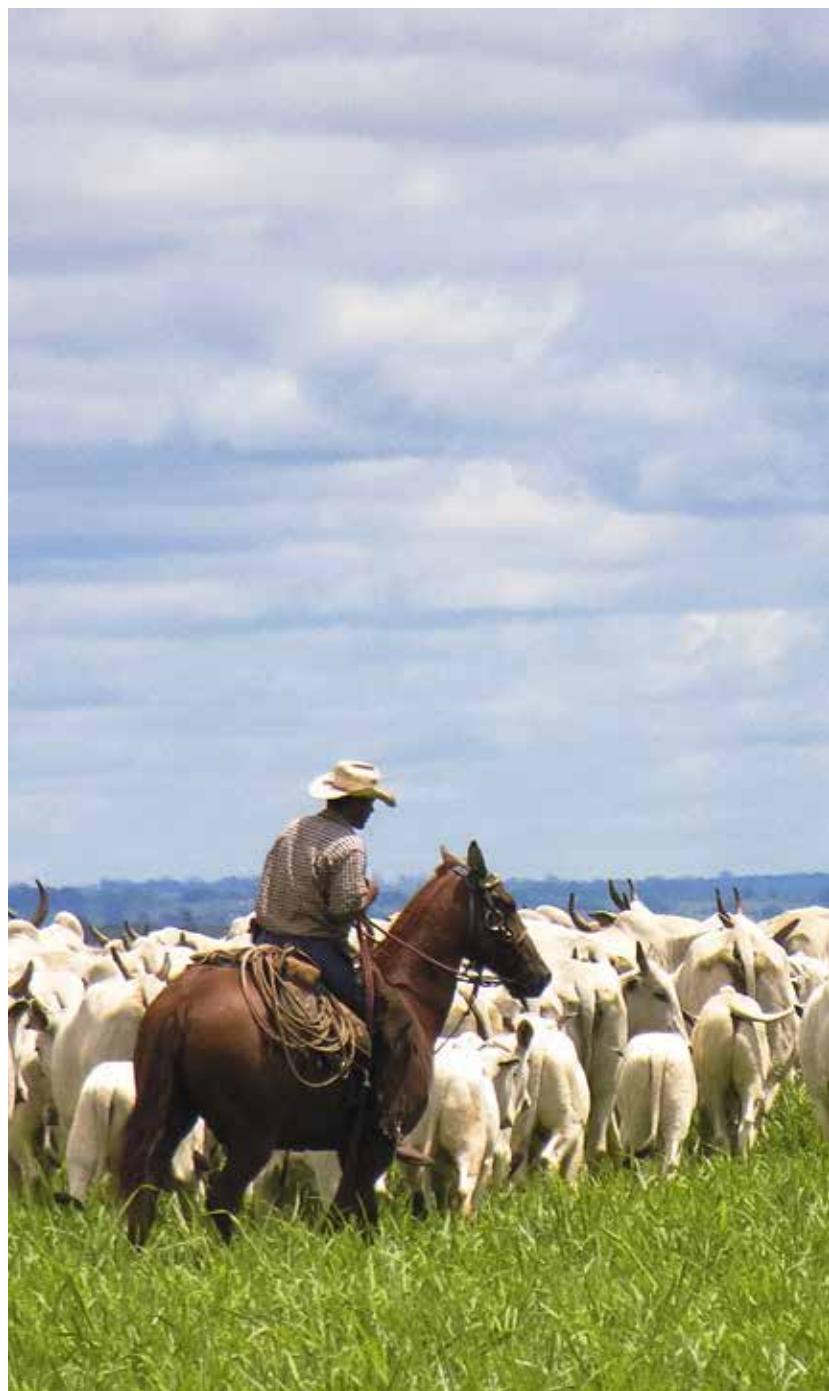
THE FUTURE OF AGRICULTURE

AGRICULTURE IS MORE THAN 10,000 YEARS OLD BUT IT HAS BEEN CHANGING MOST RAPIDLY SINCE THE GREEN REVOLUTION IN THE LAST CENTURY. THE CHALLENGE CITED AT THE END OF THE LAST DECADE WAS FINDING A WAY TO PRODUCE 70 PERCENT MORE FOOD IN ORDER TO FEED THE PROJECTED 9 BILLION PEOPLE IN 2050.



**GARY
R. BLUMENTHAL**

President of World Perspectives, Inc., USA





As we approach the latter part of this decade the agricultural sector is burdened with large stocks-to-use ratios and low prices. Russia alone has become a serious supplier of food to the world, having increased wheat production over the past decade by nearly 50 percent and more than doubling her exports. Also notable is the way that technology and consumer demand are rapidly changing the sector.

Science and nutrition

Scientific knowledge about food, nutrition, health and the environment advances persistently, but still has far to go. Humans consume over 2,000 different plants but only a small fraction of their 25,000 bioactive constituents (phytochemicals, zoochemicals, bacterochemicals, etc.) have been studied. Only a quarter of the 4,000 flavonoids (secondary metabolites) have been classed. There are four categories of essential nutrients plus some conditionally essential nutrients but much of what is categorized as non-essential nutrients are simply lacking in sufficient study. When improved knowledge about food eventually gets paired with the 20,000 protein coded genes in the human body, diets will become highly individualized based on genomics.



In addition to the positive influence of broader economic growth, countries like Brazil and Ukraine that previously taxed their agricultural sectors are now instead subsidizing them. Indeed, subsidies to agriculture have increased in many places whether they are large countries like China and India, or historically poor like Indonesia. Multilateral institutions and donor organizations have similarly boosted their support to agriculture. Much of the growth in future food demand will be in Africa, which already imports 40 million tons of wheat each year. Current investments are expected to greatly boost Sub-Saharan food production, which CIMMYT estimates produces wheat at just 10 percent of its potential.

It is more difficult to fix the poor governance and corruption that contributes to food insecurity in many parts of the world, but boosting agricultural production is relatively easy. Farmers with capital increase their application of technology while employing economies of scale to ensure per unit efficiency. Producing basic commodities is becoming more efficient at the same time demand



is increasing for value added food products. The result of this dynamic is that the number of people actually farming is declining over time while the number of workers in the downstream agrifood economy continues to grow.

Value is also being added at the production level with corn that resists aflatoxin, apples that do not turn brown, and potatoes that resist bruising while producing fewer carcinogenic acrylamides when fried.

Concurrent with the trend toward clean label foods (less processed, more natural) are advances in food science that will deliver essential nutrients like protein in sustainable ways.

Protein is particularly important for physical development in young people and some studies show that dietary consumption of meat results in better cognitive outcome in children. Still, it is protein that is the building block and it may be obtained



agriculture as the industry most ripe for economic disruption because it was the least digitized out of the 22 sectors studied. However, that is changing. New genetic approaches such as CRISPR-Cas9 and RNAi are changing the seeds that are planted. Synthetic biology and nanotech are also beginning to make contributions. Farmers are increasingly using precision agriculture involving GPS guidance and autosteer, field mapping to 10 square metre increments, variable rate input applications and accurate yield monitoring.

Agribusinesses compete on thin margins and so are constantly seeking marketplace advantages via new products and processes. Traceability has become more important and is aided by RFD product tracking; near-field transactions will eventually be recorded via blockchain, and retail

from non-animal sources. The consumption of meat alternatives remains very small, equivalent to less than one percent of animal protein sales according to the London-based market research firm Mintel. But product development efforts are robust. Bill Gates, the world's wealthiest person and not a vegetarian himself has nonetheless invested in the fake meat startup company called Beyond Meat.

The global management firm McKinsey & Company identified



BILL GATES, THE WORLD'S WEALTHIEST PERSON AND NOT A VEGETARIAN HIMSELF HAS NONETHELESS INVESTED IN THE FAKE MEAT STARTUP COMPANY CALLED BEYOND MEAT



Food preparation will become increasingly automated including the use of 3D printing.

The largest food related problem confronting society is the fact that 65 percent of deaths are associated with inappropriate dietary intake. Shifting consumer preferences and their expectations about the health and nutrition of specific foods would help address this crisis of non-communicable disease. However, it may also be true that changing the composition of the food we eat will be easier than changing human behavior. The future of agriculture will involve more than just basic nutrition.

BUSINES



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BORIS TITOV

Presidential Commissioner for Entrepreneurs' Rights



HOW TO EXTRACT THE TREASURE OF THE SHADOW SECTOR

Everyone is worried about how to accelerate the Russian economy. There's a solution and it's not very obvious

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ANDY BALDWIN

EY Managing Partner for Europe, the Middle East, India and Africa



THE TECHNOLOGICAL FUTURE OF EUROPE

The Old World's economy is recovering after a full-blown crisis. But why aren't economists happy about this?



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HEMANT KANORIA

Chairman of the Board of Directors and Managing Director of Srei Infrastructure Finance Limited, India



HOW INDIA MANAGED TO MOBILIZE PRIVATE INVESTORS

Countries with a transitional economy are having a difficult time, but there are certain solutions that help to achieve outstanding results amidst limited resources



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MARKO ČADEŽ

President of the Chamber of Commerce and Industry of Serbia

WE LIVE IN A SMALL
HOUSE WITH WIDE OPEN
WINDOWS

There are numerous reasons why little Serbia, located at the crossroads of East and West, has managed to brilliantly carry out economic reforms and became attractive to world investors. What are they exactly?

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IGOR SHEKHTERMAN

Chief Executive Officer of X5 Retail Group



TWO LAYERS OF TECHNOLOGICAL INNOVATIONS IN RUSSIAN RETAIL

Where should efforts be focused to meet the requirements of a modern, rapidly changing market under the influence of new technologies



An aerial photograph showing a massive, dense stack of shipping containers in a port terminal. The containers are arranged in multiple layers, filling the frame. They come in various colors, including white, blue, red, green, and orange. The perspective is from directly above, looking down at the tops of the containers.

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ALEXANDER IVLEV

EY Managing Partner for Russia

NON-ENERGY EXPORTS FROM RUSSIA: TO BE OR NOT TO BE?

The weakening of the rouble in recent years has provided new opportunities to exporters, but how can we find even more breakthrough solutions that are not related to currency fluctuations?

HOW TO EXTRACT THE TREASURES OF THE SHADOW SECTOR

THE QUESTION OF HOW TO ACCELERATE THE DEVELOPMENT OF THE RUSSIAN ECONOMY IS ONE THAT CONCERNS EVERYONE TODAY. SOME IN WORDS, SOME IN DEEDS, BUT AT THE VERY LEAST EVERYONE IS DEFINITELY TALKING ABOUT IT. AND WHEN WE THINK ABOUT THIS, WE MUST NOT FORGET ABOUT THE ENORMOUS RESERVES THAT THE SO-CALLED SHADOW ECONOMY CONCEALS.



BORIS TITOV

Presidential Commissioner
for Entrepreneurs' Rights

The shadow sector continues to flourish in Russia. According to different estimates, the share of unofficial employment (whether it is receiving salary in an envelope or working independently without

registration) accounts for 20%–50% of the entire Russian economy. Interestingly, the Federal State Statistics Service, the Russian Presidential Academy of National Economy and Public Administration, and the World Bank all have different figures, but they are unanimous in their view of the trend: the share of the shadow sector has continued to increase in recent years.

If this trend were to be reversed, the economic growth indicators would be among the most optimistic forecasts. The whole question is how to do it. The policy of the 'carrot' alone is clearly not going to end well. Neither the tax on parasitism (similar to the Belarusian tax) nor depriving the unemployed of the right to free healthcare will bring about the desired result. In Belarus, the introduction of mandatory fees for non-working citizens resulted in mass protests, and arguments about denying healthcare to the unemployed are honestly akin to genocide. Moreover, if we exclude people who are on the labour exchange from this standard, we will get tens of millions of fictitiously registered people on the exchanges and only have more expenditures instead of savings.

The shadow sector is expanding not from the good life, but from the

COMING OUT OF THE SHADOWS COULD INCREASE THE SHARE OF SMALL- AND MEDIUM-SIZED BUSINESS IN GDP

FROM 20% TO 30%

IN MONETARY TERMS

FROM 12.1
TO RUB 18.2 trn

"PROPER" DE-OFFSHORIZATION, IN TURN, WOULD RETURN ASSETS WORTH AT LEAST

USD 150 bln

TO THE BALANCE SHEETS OF RUSSIAN COMPANIES

fact that it is increasingly difficult to work in compliance with all the government regulations. The risk/return ratio is becoming increasingly unprofitable for businessmen. Whereas in 2000 investment projects paid off within an average of 5–7 years, now this period has grown to 10–15 years. Natural monopoly tariffs continue to increase despite all the talk about their containment. Small and medium-sized business continues to suffer from ever increasing restrictions, while the moratorium on scheduled inspections has devolved into uncontrolled growth in unscheduled raids. Taxes and fees – in deeds, not in words – continue to increase (trading fees, Platon, online payments, etc.). The Federal Service for Veterinary and Phytosanitary Surveillance alone, for example, has a whole system of shrewd companies that must be contacted for the paid certification of products.

There are no miracles, and business cannot “play by the rules” if this game is devoid of any meaning. In our ‘Growth Strategy’ we are specifically trying to establish rules of the game that will suit everyone – both entrepreneurs and the government. The strategy has solutions to contain the tariffs of natural and infrastructure monopolies. It offers changes to the tax system. It proposes eliminating the unnecessary administrative burden, which always results in additional costs for business.

Real capital amnesty could make a major contribution to the ‘whitewashing’



Solutions for small business

There are also specific solutions for small business and microbusiness. The institution of ‘self-employed individuals’ needs to finally be introduced – not in words, but in deeds. The Ministry of Finance has watered down the existing law to absolutely nothing. Instead of 45 types of activities for self-employed individuals, only three are left, and their regulation is in almost no way different from the regulation of individual entrepreneurs. Not surprisingly, the reform failed: the number of registered self-employed individuals is estimated in the tens and at most hundreds throughout the whole country. Our version of this reform needs to be implemented. Simple and convenient regulations need to be provided for self-employed individuals: one-stop shop registration, an exhaustive payment for a work permit (without registration and reporting to social funds), automatic de-registration upon expiration of the permit and a ban on inspections. And, of course, the list of the types of activities needs to be increased to 45 professions. The second thing that needs to be done is to stop the administrative war against small business. Real “supervisory breaks” need to be introduced rejecting both scheduled and unscheduled inspections for a period of three years. Special attention should be paid to the development of organized street and mobile commerce. The rights of owners of non-stationary retail facilities should be protected.



The young company Crimean Seafood wants to turn the Crimean peninsula into the main supplier of oysters on the Russian market

of the economy. As we can see, in its current form it has failed to work once again due to shortcomings. In addition, people have also learned how to bypass the law on controlled foreign companies. Thus, one option here would be to introduce an ‘offshore’ ratio on the tax of property, land, real estate, and dividends and cancel VAT refunds on exports for companies with offshore owners.

A ‘white’ economy is good for everyone. It means a stable budget and social guarantees for working citizens. But once again we stress that only defending one goal post will not work. The real interests of all participants in the process need to be taken into account.

ENABLING EUROPE'S TECH FUTURE

THE CONTINUED ECONOMIC RECOVERY BEING WITNESSED IN EUROPE IS ACCCOMPANIED BY A WIDESPREAD AND POWERFUL UNDERCURRENT OF DISSATISFACTION.





ANDY BALDWIN

EY Managing Partner for Europe,
Middle East, India and Africa

Populist parties have garnered support in many European countries and a Europe-wide divide has opened between those favouring an open trading system and those championing a return to national borders seen as less permeable to people, goods and jobs. However, among business leaders, economic confidence in Europe is on the up. In March 2017, the European Commission's Economic Sentiment Indicator for the Eurozone – a measure of sentiment across industry, services, consumers, builders and retailers – rose to 109, well above its 26-year average of 100. And, against the global backdrop of geopolitical and economic instability, the first of many striking messages from the EYs European Attractiveness Survey 2017 is that investors are continuing to focus on better economic trends and opportunities in the European Union (EU), as well as its European neighbouring countries, including Russia and Turkey.

While politics and politicians come and go and policies change, investors understand the need to take a long-term or multiyear view of investments. In these changing

SO HOW CAN EUROPE RIDE THIS WAVE OF ECONOMIC CONFIDENCE AND ENSURE ITS FUTURE GROWTH?

times, that thinking now needs to go one step further. Investment decisions must be based on longer-term fundamentals, such as access to deep pools of expertise and talent, access to the European single market overall as well as large domestic markets, and the effects of technology and knowledge.

So how can Europe ride this wave of economic confidence and ensure its future growth?

TECHNOLOGY MUST BE A PRIORITY

Much has been written on how Silicon Valley emerged. The early combination of world-class research institutions, military establishments, funding and talent were all contributors. It has benefited from a deep, sophisticated capital market that provides diverse and flexible

funding for second- and third-stage funding, not to mention wealthy private investors and families.

In sharp contrast, the European technology scene lacks the presence of a truly global technology player. While recent data suggests that Europe is creating more "unicorns" – start-ups with valuations of over US\$1b – we have not seen enough of these companies breakthrough to the US\$50b plus valuations.

It would be futile for Europe to try to imitate Silicon Valley. Across Europe, historically individual countries have pursued their own digital and technology strategies with absence of an overarching technology framework. Encouragingly, this could soon change thanks to the European Union's Digital Single Market strategy, which aims to remove





Italy produces luxury class goods

online barriers and create a single market to allow European firms to scale more rapidly. If successful, this could add €415b to the European Union's economy and help to develop the pan-European ecosystem necessary to compete with the world's largest technology innovation centres.

While Europe has not produced a global tech giant, it has made significant inroads into what is often called "deep tech" – that is artificial intelligence, robotics and industrial Internet of Things. It continues to have a strong industrial base and Europe can create something unique.



TODAY, MAINLAND EUROPE'S ECONOMY IS SERVICES-BASED, AND INCREASINGLY KNOWLEDGE-BASED

HARNESSING INDUSTRIAL STRENGTHS

Today, mainland Europe's economy is services-based, and increasingly knowledge-based. There is a multiplying effect when we have a concentration of businesses in the same industry around certain countries or geographic areas, like engineering and automotive in Germany, technology around Berlin, FinTech in London, luxury goods in Italy, biopharmaceuticals around Brussels, and the Internet of Things for advanced manufacturing in Switzerland and France. Networking these and other centres more closely would help unlock their potential and potentially provide the scale that would enable their success in the global arena.

Technology and knowledge increasingly do not recognize national boundaries, but seek out the benefits of global markets. Europe, including the UK, need to think beyond the immediate challenges presented by the Brexit negotiations and other political distractions to develop a more comprehensive approach to technology and to retain and sustain the vital links between Europe's companies, clusters and knowledge centres, whether in the European Union or not.

The opportunity for Europe as the fourth industrial revolution takes hold is for governments to digitize their historic industrial strengths by transforming today's existing centres into tomorrow's future technology hubs.

As centres develop, with a view to creating the broader ecosystem necessary to incubate innovation, it would be logical for governments in individual countries to associate their upcoming tech industries with their traditional industries. The political and economic challenge is to then leverage and connect these new and emerging hubs to create the "virtual" scale necessary to compete with the type of businesses and industries we see developing out of the US West Coast.

FUNDING TODAY TO FUTURE-PROOF TOMORROW

Financing, from seed money to late-stage funding, is usually the biggest issue for start-ups. In Europe, while VCs and private investors are growing, start-ups and small companies still remain reliant on the traditional banking system. According to the Association for Financial Markets in Europe, around 70% of Europe's debt funding is still provided by banks, compared with 30% in the US. Also, Europe's pool of capital remains fragmented at the country level and there are fewer private investors prepared to support businesses in reaching the next stage of development.

The EU already has a plan to create a Capital Markets Union – a single market for capital, which would provide businesses with a greater choice of funding at lower costs. This would potentially reduce dependence on bank funding, which is less flexible than other forms of investment.

But policymakers also need to think about how they can incentivise private equity firms and private individuals to invest in technology businesses. The good news is that investors generally are attracted to the idea of investing in Europe. According to the EY 2017 European attractiveness survey – Plan B for Brexit, over half (56%) of global investors plan to grow their presence in Europe over the next three years.

A key issue here will be the future role of London post-Brexit with UK-based firms being involved in over half of debt and equity issuance by EU27 borrowers. Over the past decade, the city's average annual debt capital markets issuance alone has stood at roughly US\$328b. An acrimonious Brexit risks limiting the supply and access to much needed capital.

ATTRACTING THE RIGHT TALENT

In Europe as elsewhere, clever, well-educated people flock to cities, seeking the symbiotic access to highly paid skilled jobs, educational and research facilities, cultural and leisure facilities,



transport and housing. So investors seek talent and opportunities in these concentrations of people, brainpower and markets.

On a continent where the population is aging, the ongoing availability of the brightest and best talent has become a strategic criterion for foreign direct investment. Yet many European cities acknowledge scarcities in some sectors or skills. Maintaining a good supply of talent is likely to be a key issue for Europe's future attractiveness.

The global market for talent will become ever more competitive as more companies look to attract the best engineers, technologists and data scientists. Europe has many of the best universities and colleges in the world, but studying in Europe needs to be welcoming and attractive to the best talent from

abroad, particularly students from India and China. Ensuring that we continue to welcome and support free movement of the right expertise across not just the European Union but all of Europe is key. A positive attitude to high skilled immigration could become a real differentiator in the future.

Europe must do its best to remove both the soft and hard barriers that prevent businesses from operating and growing within the wider European market. Only that will provide a constructive pathway to greater investment, technological innovation, and more jobs and growth in Europe.

The views reflected in this article are the views of the author and do not necessarily reflect the views of the global EY organization or its member firms.



MONEY AND THE CLEAR SKY

HOW BUSINESS SHOULD COMBINE PRAGMATISM AND CONCERN FOR THE FUTURE

THE UNITED NATIONS ECONOMIC AND SOCIAL COUNCIL (ECOSOC) PREDICTS THAT THE RUSSIAN ECONOMY WILL EXPAND BY 1.1% THIS YEAR AND 1.4% NEXT YEAR. ECONOMIC INDICATORS ARE RECOVERING AS SANCTIONS AGAINST RUSSIA CONTINUE. THERE HAS NOT BEEN ANY SERIOUS TURNAROUND ON THE GLOBAL ENERGY MARKET EITHER AS OIL PRICES HAVE DIPPED BELOW USD 50 PER BARREL IN EARLY MAY. EXPERTS VIEW THE SOURCES OF GROWTH AS THE INVESTMENT ACTIVITIES OF PRIVATE COMPANIES, WHICH ARE RESPONDING TO UNFAVOURABLE EXTERNAL FACTORS WITH A MORE SOPHISTICATED INVESTMENT STRATEGY. ENTREPRENEURS SAY IT'S NO LONGER ENOUGH TO SIMPLY INVEST IN PRODUCTION; IT'S JUST AS IMPORTANT TO INVEST IN HUMAN CAPITAL, BREAKTHROUGH TECHNOLOGIES, AND THE ENVIRONMENT. THE CASE OF NORILSK NICKEL IS A GOOD EXAMPLE OF THIS.



MIKHAIL POTAPOV

journalist

USD 2 BLN AND A WINDOW TO CHINA

Norilsk Nickel's total capex budget for 2017 will amount to approximately USD 2 billion, including USD 450 million worth of investment in the Bystrinskoye project.

The company's flagship project to develop the Bystrinskoye gold, iron, and copper ore field in the Zabaykalsky Territory with a total estimated cost of USD 1.7 billion involves building a mining and processing plant with production capacity of more than 67,000 tonnes of copper in concentrate form. Norilsk Nickel plans to open

the Bystrinsky plant in the fourth quarter of 2017.

"This project was built from scratch", Norilsk Nickel President Vladimir Potanin said. "We call it a window to the Chinese market. This project has distinct growth opportunities. First, it has nearby areas for further exploration and growth. Second, an idea exists to unite it with the Baimskoye field of our partners. An IPO could then be held on Asian markets. This is an entirely different story from

Norilsk Nickel's key business, thus it's essential that it also remains separate in terms of management".

In order to implement the largest construction project in the country's modern history taking into account the most efficient production, environmental, social, and HR technologies, and build an industrial facility with well-developed transport and logistics infrastructure, Norilsk Nickel is using different investment sources. This is a unique transaction for the

Contribution to reputation

Norilsk Nickel plans to drastically change the current situation in the Arctic zone where its main production facilities are located. In particular, the Year of Ecology in Russia kicked off with the opening of the Norilsk Nickel-supported Pasvik visitor's centre, which is located on the Kola Peninsula in the Murmansk Region. It is telling that investments in the regions where the company's production facilities are located, in the habitat of employees and their quality of life, in human capital, and in the future are all a significant part of the company's social policy and contribute to its reputation and actual market capitalization.



rub 1 trn

THE COMPANY'S TOTAL
INVESTMENT IN ITS
ENVIRONMENTAL PROGRAMME
UNTIL 2022

**roughly rub
250 bln**

WILL BE SPENT ON THE
ENVIRONMENT AND
THE PRODUCTION AND
INTRODUCTION OF MODERN
TECHNOLOGIES THAT EASE THE
BURDEN ON THE ENVIRONMENT



Russian market – project financing involving Sberbank (USD 800 million for a period of 8 years) and attracting partners.

Specifically, Norilsk Nickel in January 2017 approved the sale of up to a 39.32% stake in the Bystrinskoye project to CIS Natural Resources Fund – an investment fund that specializes in Russian natural resource assets. Chinese investment fund Highland Fund, which currently owns a 10.67% stake in the project, had previously been involved in developing the project. In the future, the fund may increase its stake to 13.33% and earmark total investment of USD 100 million.



**THE IMPLEMENTATION OF A
GLOBAL PROJECT – THE CLOSURE
OF THE OLDEST NICKEL PLANT
IN NORILSK – HAS ALREADY
REDUCED EMISSIONS
BY A THIRD**

Based on the example of the project's implementation in the Zabaykalsky Territory, it's obvious that, in addition to financial interventions, Norilsk Nickel's investments also have a clearly pronounced social nature. The plan is for the Bystrinsky plant to become a 'talent foundry' for the region and create roughly 3,500 new jobs.

HOW A WHOLE PLANT WAS TAKEN AND SHUT DOWN

Experts joke that Norilsk Nickel is a 'manual' for advanced environmental technologies. The company focuses on innovative solutions and has record investments in the environment in terms of volume.

"Today, we clearly understand what the modern Norilsk Nickel is exactly, what problems it has, and what we need to do going forward", Potanin said. "The main problem is environmental. We must solve it because it has come to a head for both the company itself and the regions. Norilsk Nickel must transform itself from a polluter into an exemplary eco-friendly enterprise. Comprehensive modernization of production is essential for achieving this".

The company's total investment in this programme prior to 2022 will amount to some RUB 3 trillion with roughly RUB 250 billion of this amount being spent on the environment, production, and the introduction of modern technologies that reduce the burden on the environment, in particular the implementation of a unique sulphur project.

The implementation of a global project – the closure of the oldest nickel plant in Norilsk – has already reduced emissions by a third.

"Modernization work needs to be synchronized with work to solve the environmental problem; otherwise, it will be exorbitant. The crowning achievement of the comprehensive programme will be the so-called sulphur project, which will make it possible to cut sulphur emissions by several times not only in Norilsk, but at other enterprises of the Taymyr Peninsula", Potanin said.



INDIA-RUSSIA: A PARTNERSHIP OF TRUST

INDIA AND RUSSIA HAVE HAD THE LONGEST AND CLOSEST FRIENDSHIP, AS COUNTRIES, SPANNING MORE THAN 70 YEARS. THIS RELATIONSHIP HAS BEEN DEVELOPED WITH A DEEP SENSE OF TRUST, UNDERSTANDING, EMPATHY, PARTNERSHIP AND BROTHERHOOD OVER THE YEARS AND HAS STOOD THE TEST OF TIME. DURING THE COLD WAR, INDIA AND THE SOVIET UNION (USSR) ENJOYED A STRONG STRATEGIC, MILITARY, ECONOMIC AND DIPLOMATIC RELATIONSHIP. WHILE INDIA IMPROVED ITS RELATIONS WITH THE WEST AND OTHER NATIONS, THERE WAS NO PAUSE IN OUR PARTNERSHIP WITH RUSSIA. AND WITH PASSING YEARS, THE LEVEL OF ENGAGEMENT BETWEEN THE TWO NATIONS HAS BECOME MULTI-FACETED AND MULTI-DIMENSIONAL.





HEMANT KANORIA

Chairman of the Board and Managing Director of Srei Infrastructure Finance Limited, India

INDIA-RUSSIA PARTNERSHIP

Russia has continued to remain the largest supplier of military equipment for India's armed forces. However, as the global geo-political scenario changed over the decades, the nature of co-operation between Russia and India has also evolved accordingly. In 2000, India signed strategic partnership agreements with Russia. Presently, India has entered into strategic partnership with more than two dozen countries/supranational entities. However, Russia has topped the list of India's top strategic partners (followed by USA, France, UK, Germany and Japan) as ranked by The Foundation for National Security Research in New Delhi. Indo-Russian strategic partnership has been built on



HOWEVER, RUSSIA HAS TOPPED THE LIST OF INDIA'S TOP STRATEGIC PARTNERS

five major components: politics, defence, civil nuclear energy, anti-terrorism co-operation and space. The level of engagement has expanded into other fields like trade, economy, finance, investment, skilling & education, healthcare, intellectual capital, sports, youth, tourism, people-to-people contact, culture & entertainment. This co-operation is deep and multi-layered, pretty much like the wooden Matryoshka dolls of Russia.

PRESENT SCENARIO

Bilateral trade during 2014 amounted to USD 9.51 billion, with Indian exports amounting to USD 3.17 billion and imports from Russia amounting to USD 6.34 billion. Major items of export from India include pharmaceuticals, miscellaneous manufactures, iron & steel, apparels, tea, coffee and tobacco. Apart from defence and nuclear power equipment, major items of import from Russia include fertilizers, electrical machinery, steels and diamonds. Indian investments in Russia were estimated to be about USD 8 billion, while Russian investments in India at about USD 3 billion. The two nations have also agreed to liberalize business travel. These and other measures should help boost bilateral trade. The two nations intend to achieve a bilateral trade figure of USD 30 billion by 2025. Russian firms are keen to invest in India in construction, major infrastructure projects such as dedicated freight corridors and industrial clusters, smart cities, sharing technologies

With the help of Russia

The two nations have sought to follow what both describe as a more pragmatic and less ideological relationship. Both countries are members of many international bodies where they jointly collaborate on matters of shared national interest. With the help of Russia, India has been pushing for reforms in the United Nations (UN) and World Trade Organization (WTO), with mixed results. Russia is also strongly backing India's candidature for a permanent seat at the UN Security Council.

Co-operation between the two nations

To enhance co-operation between the two nations in different fields, the Inter-Governmental Commission on Trade, Economic, Scientific, Technological and Cultural Co-operation (IRIGC-TEC) has been made the apex G2G forum. It reviews sectoral co-operation under working groups on trade and economic co-operation, priority investments, modernization and industrial co-operation (sub-groups on civil aviation, mining, fertilizer, and modernization), outstanding issues, energy & energy efficiency, science and technology, communications & IT, tourism and culture, and sub-groups on banking & financial matters and also on wildlife conservation. In addition, India and Russia have decided to institutionalize the CEOs' Forum, which will meet twice a year – once in India and the other in Russia.

and skill upgradation. India would welcome Russian companies from the public and private sectors. At the same time, Indian companies are exploring major investment options in Russia, especially in natural resources such as coal, fertilizers, hydrocarbons, minerals and rare earth metals. In fact, Russia is the first country to have agreed to participate in the "Make in India" umbrella in two key strategic sectors – nuclear and defence. Russia will build nuclear reactor components and military helicopters in India. Russian firms, in collaboration with Indian firms, are expected to help in constructing 12 nuclear power plants.

WAY FORWARD

Two areas where I can foresee major scope for co-operation in the years to come are Infrastructure and Manufacturing.

Infrastructure needs to be built, re-built and revamped in every country. But it may not be possible for the government alone to fund such projects. India has developed a unique public-private partnership (PPP) model for infrastructure creation. With this model, India has managed to mobilize private investments to the tune of nearly USD 300 billion over the last two decades, which is non-pareil. There have been many learnings out of mistakes that have been made while implementing the projects; some have already been corrected and few are still in work-in-progress stage. However, as a whole, the PPP model has been hugely successful.

Thus, Russia can greatly benefit from the experience and expertise that India has gathered in the process. With infrastructure developed being a priority area for Indian government, this sector will open up many new opportunities and Russian companies can participate in this process. Similarly, Indian companies too can explore opportunities in Russia.

The manufacturing sector has traditionally been the strength of

Russian enterprises and continuous technological development has kept the Russian manufacturing sector at the vanguard of modernisation. Russian companies can utilize this expertise in setting up manufacturing plants in India under the "Make in India" programme for catering both to the Indian market as well as for exporting to Asian countries. Similarly, Indian companies can complement Russian enterprises by setting up joint venture units in Russia. Both nations should ideally contemplate setting up an Indian Centre of Excellence in Russia and a Russian Centre of Excellence in India, where players from the manufacturing sector from either countries can set up their units smoothly. This will also aid easy transfer and sharing of technological know-how.

The partnership of India and Russia truly demonstrates multiple facets of relationship. As we celebrate this friendship of seven decades, we wish that our group can participate intensely to foster this relationship further.



THE PARTNERSHIP OF INDIA AND RUSSIA TRULY DEMONSTRATES MULTIPLE FACETS OF RELATIONSHIP



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MOSCOW AND ST. PETERSBURG: NO COMPETITORS

RIA RATING RANKS THE REGIONS ACCORDING TO
THEIR ECONOMIC ‘WELL-BEING’.

As per tradition, RIA Rating agency has presented the results of its work with an assessment of the economic situation in the Russian regions. The method used to compile the rating is based on an aggregation of different indicators in 4 groups:

- indicators on the scale of the economy
- indicators on the efficiency of the economy
- indicators on the budget sector
- indicators on the social sector.

The rating was put together by ranking the constituent entities of the Russian Federation in descending according to the value of an integral rating score. The integral rating of each constituent entity of the Russian Federation was determined as the geometric mean of the rating scores of the indicator groups. The rating score of a constituent entity of the Russian Federation for each group of indicators was determined using the arithmetic average of the rating scores of all the indicators included in the group.

Comments from Valery Tretyakov, the general director RIA Rating agency (which is part of Russia Today international information agency):

“The top and bottom lines of the rating remained virtually unchanged compared with 2015. The main changes occurred in the middle of the rating. Positive dynamics were seen in 33 regions, 12 regions remained in their former positions, and 40 regions lost ground.

Positive dynamics were mainly seen in regions of the Russian Federation that have well-developed military-industrial and agro-industrial complexes as well as the regions of the North Caucasus. Five of the seven regions in the North Caucasus Federal District demonstrated positive dynamics in the rating, which is probably associated with the positive effects from the implementation of the state programme ‘Development of the North Caucasus Federal District for the period until 2025’.”

RATING OF THE SOCIOECONOMIC CONDITION IN THE CONSTITUENT ENTITIES OF THE RUSSIAN FEDERATION IN 2016

2016 ranking	Constituent entity of the Russian Federation	2016 integral rating	2015 ranking
1	City of Moscow	80,891	1
2	City of St. Petersburg	74,541	2
3	Khanty-Mansi Autonomous District-Yugra	69,933	3
4	Moscow Region	68,597	4
5	Republic of Tatarstan	67,681	5
6	Yamalo-Nenets Autonomous District	66,805	6
7	Leningrad Region	61,890	11
8	Republic of Bashkortostan	60,759	10
9	Sakhalin Region	60,294	7
10	Tyumen Region	60,082	8
11	Sverdlovsk Region	58,484	9
12	Samara Region	57,388	13
13	Krasnodar Territory	57,217	16
14	Krasnoyarsk Territory	56,527	14
15	Perm Territory	56,236	12
16	Nizhny Novgorod Region	55,277	15
17	Voronezh Region	54,946	19
18	Rostov Region	54,383	24
19	Belgorod Region	52,353	18
20	Chelyabinsk Region	52,233	17
21	Republic of Sakha (Yakutia)	51,881	21
22	Lipetsk Region	51,812	20
23	Irkutsk Region	51,776	25
24	Orenburg Region	50,710	22
25	Tula Region	50,652	23
26	Primorye Territory	50,605	27
27	Novosibirsk Region	48,865	30
28	Murmansk Region	48,772	32
29	Vologda Region	48,467	37
30	Tomsk Region	48,057	29

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SERBIA – THE COUNTRY WORTH INVESTING IN



**MARKO
ČADEŽ**

President of the Chamber of Commerce and Industry of Serbia

THERE ARE MANY REASONS WHY A SMALL COUNTRY SERBIA, SITUATED ON THE CROSSROADS OF THE WEST AND EAST, WHICH WAS INVISIBLE ON THE GLOBAL INVESTMENT AND BUSINESS MAP UNTIL A FEW YEARS AGO, IS TODAY ONE OF THE MOST ATTRACTIVE EUROPEAN DESTINATIONS FOR INVESTMENTS, TRADE AND BUSINESS PARTNERSHIPS.



The best conditions in the region

Owing to the reform progress achieved in recent years, confirmed by the serious and independent research and analyses, and recognized by the international business community, Serbia today offers investors and buyers of its products the best enabling environment ever for doing business and investments: macroeconomic strength, political stability, commitment to the European integration process, more functional infrastructure, improved regulatory framework, higher business predictability, lower risks, higher ranking on international lists measuring competitiveness and business conditions

Today, we offer investors important state financial and other incentives, customs facilities for import of equipment, and lower tax rates and operational costs than our competitors. As our special advantage, we underscore the free trade agreements, such as the one with the Russian Federation, which ensure the producers across Serbia duty free export to the market exceeding a billion consumers worldwide. Being aware of the limitations of the small, national markets in the Western Balkans, we strengthen the initiatives leading to the creation of a single regional market, and in the next stage, a single customs area. This is because it is clear that none of the companies or investors come to the Balkans because of the individual markets, but because of the regional market with 18 – 20 million consumers.

Owing to its enabling environment and logistic advantages, Serbia is becoming a regional hub for business operations of a growing number of big international companies. At the same time, that is the best recommendation to

other corporations, which have not come to this region, yet. There are no better ambassadors of Serbia in the world than the foreign companies operating profitably in our market, and expanding their capacities. And there is no better indicator about Serbia than the

findings of the last year survey conducted by the Foreign Investors Association in Serbia. From year to year, they confirm that almost 90% of the respondents would invest in Serbia again, and that the majority is expecting further increase in turnover and volume of business, and



A flexible approach

Our advantage lies in the flexibility of the SME sector, which accounts for more than 95% of the Serbian economy: they keep increasing their capacities, they are ready to learn, to follow contemporary trends in business operations, and to invest in their business development, so as to respond to changes in demand of the developed market economies and foreign partners.

planning an increase in employees and new investments.

Only last year, due to the foreign investments, more than fifty factories and plats were commissioned or their construction began. The negotiations on new projects are under way with the same number of international companies.

It is of special importance for the economy like Serbian, which builds its accelerated sustainable development on a healthy basis – investments and import growth, that the new investments in recent years have been highly project diversified, and focuses mainly on

the manufacturing, export-oriented sectors – automotive, textile, food processing, machine building, chemical and pharmaceutical industries. This has contributed to the growth and higher competitiveness of the domestic export supply, with a wide range of products, higher level of processing and higher value added.

In parallel with private investments, a new wave of public investments into infrastructure has been initiated, as a precondition for more private investments and as a source of sustainable growth. Due to all this, but also because of the

expected effects of further reforms of both public and private sectors in the next year, it is realistic to expect further growth in both foreign and domestic investments. Because there is no month in which we do not record either completion or start of an important investment project.

Along with attracting foreign investments, it is equally important to strengthen the capacities of the domestic economy, which has been recording higher production and exports, becoming more profitable, and strengthening its investment

90%

FOREIGN
INVESTORS READY
AGAIN INVESTING
IN SERBIA



potential. Foreign investments are crucial for increased exports, but the domestic economy has to keep pace. Foreign investors look for a network of local suppliers, which are liquid, have experience and implement standards in their business operations. Today, Serbian companies are reliable suppliers, and future investors in Serbia and buyers of our products in the world can rely on them. We have a long industrial tradition and our companies have the required knowledge for business cooperation with foreign partners. They are capable of meeting the requirements of developed countries' markets, ensuring the required quality and processes, and meeting deadlines, delivering high quality goods and services on time, at competitive prices.

The Chamber of Commerce and Industry of Serbia is especially focused on linking our companies with potential partners – investors and buyers abroad – and their integration in production and supplier chains of big companies, both domestic and foreign ones. One of the key tasks of the Chamber of Commerce and Industry in the future will be to support internationalization of the Serbian economy – through the promotion of the investment and export supply of our economy, and networking of our companies with foreign partners. Our support and efficient chamber services are also available to companies from the world implementing their investment and business plans in Serbia and the region.

One of the most prestigious business events – the International Economic Forum in Sankt Petersburg – is a great opportunity for us to present ourselves in the best possible way to the business circles of the Russian Federation, and to more than a hundred other participating countries, and to be perceived as a country of the growing and open economy, serious companies, big investment potential and high quality products.

And, finally, I will paraphrase a wise saying: We live in a small house, but its windows overlook the big world. Welcome to Serbia, the economy worth investing in!



>>

**THEY ARE CAPABLE OF MEETING
THE REQUIREMENTS OF
DEVELOPED COUNTRIES' MARKETS**

TWO TECHNOLOGY INNOVATION LAYERS IN THE RUSSIAN RETAIL SECTOR: KEY FOCUS POINTS

IT IS NOW ABUNDANTLY CLEAR TO ALL MARKET PLAYERS IN THE RUSSIAN RETAIL SECTOR THAT LONG-TERM LEADERSHIP, BOTH IN THE SECTOR IN GENERAL AND IN ANY OF ITS PARTICULAR SEGMENTS, CANNOT BE BROUGHT ABOUT BY STRONG TURNOVER AND FINANCIAL PERFORMANCE ALONE.



IGOR SHEKTERMAN

CEO, X5 Retail Group

The pace at which new generations of technology replace one another (bringing new business processes along) compels all retail market participants to change and seek leadership in innovation.

The ability of any retailer to adjust to the changing consumer environment, to digitise and simultaneously become more transparent to both consumers and the government is now becoming the fundamental capital and, in effect, the mainstay and driver of growth for any big retail business.

Major national retailers, X5 Retail Group included, are not only theoretically developing these ideas but are also diligently working to put them into practice. Today, X5's IT investment has already reached 10% of its capital spending but we are not limiting ourselves to the technology already available on the market. Knowing that the digital environment is changing daily, we are preparing to test out innovative startups

in conjunction with the Internet Initiatives Development Fund, with a view to incorporating the best of them later in our business practices.

What technologies does the Russian retail business need today? Any successful startup and any business idea in general has to be based, as we know, on an actual problem they are tailored to resolve. In its dealings with Russian startups (and any technology companies), a retailer should aim, above all, to convey the true-to-life issues of the Russian retail business that largely determine whether or not a particular technological idea will be successful. This range of issues is, however, quite unique.

Frequently, the media-created image of innovation in retail is a far cry from reality. This is particularly true of the Russian retail business. More often than not, media-induced stereotypes stemming from a lack of critical thinking about the feasibility of specific technological concepts dominate the overall idea of which technologies Russian retail

Retail is the biggest non-resource industry

Retail is the biggest non-resource industry of Russia's economy, generating 14.3% of its GDP and 11.5% of all tax revenues into the country's treasury. That said, according to the latest statistics from the Retail Companies Association, nationwide and regional retail chains account for 53.6% of the total retail market, with their share growing and slated to continue to grow in the foreseeable future. Given its scale, retail chains are not only the appropriate application environment for but also a natural driver of technological innovation, primarily owing to their ability to shape new customer experience, availability of a vast body of various consumer data and an extensive client base.

business needs today. Yet idyllic scenes featuring pizza and grocery drone delivery to cozy single-storey cottages owned by self-employed consumers creating digital content 24/7 are far removed from our reality. One can talk all one wants about this being our future but we would rather work on the actual problems of the industry and several millions of customers visiting our stores every year than talk the talk.

"The first layer" of technological innovation that is truly crucial for the contemporary Russian consumer (and, hence, the retailer) is generally aimed at resolving issues of customer satisfaction with their experience as customers. This covers technologies built to simplify and speed up the checkout process and self-checkout services, eliminate queues, as well as introduce intelligent customer loyalty programmes aimed at the best possible customisation of the consumer basket. This level also encompasses development of e-commerce solutions for target customer segments, mobile retail applications, etc.

This kind of innovation will "drag" other innovations along with it. Efficient development and implementation of this type of innovation is impossible



without adequate technology to process big data accumulated by a particular retailer. These and other technologies allow for higher precision in tracking customer preferences and working out the most sought-after offers in terms of product range and services.

Yet there is also "the second layer" of technological innovations in the Russian retail sector, which may not be so obvious for the media and customers, but is infinitely more important for the business in a Russian environment. It opens up vast strategical and operational opportunities for innovative and technology companies, since the problems that second-layer innovations are designed to solve are far more complex and global than those described above.

The main task that second-layer innovations are meant to solve is to develop the distribution infrastructure, which is far less evolved in Russia than in Europe, both in terms of floor space and the number of distribution hubs.

As they work to provide enough floor space for Russian consumers and distribution channels with increased capacity for Russian suppliers, retailers have to keep yet another task in focus: maximum

10%

INVESTMENT IN IT
ALREADY MAKE UP
10% OF CAPEX

improvement of operating efficiency at all commodity life cycle stages, from production to sales.

Proceeding from the need for efficient communication channels between producers and retailers, as well as third parties, including banks, government agencies, fiscal data operators, etc., "the second layer" of vital innovations for the Russian retail sector includes unique solutions adjusted and customised to the specific environment, and sometimes tailored exclusively to fulfil specific tasks.

This includes contemporary legally valid workflow management (EDI) and EDI-based IT solutions allowing joint management of promotion events, joint control of continuous on-shelf availability and sales planning for suppliers and retailers. The E-factoring platforms

Follow the customer

Nationwide Russian retail networks possess sufficient solutions in all these spheres and qualified technical staff capable of implementing them; they also boast an extensive track record in applying first-layer technological innovations. Furthermore, it may be said that Russian retailers often do not "follow the customer" in as far as such innovations are concerned, but are proactively shaping customer habits in Russia by bringing them to the next level.

For instance, self-service checkouts at a number of Perekrestok chain stores account for more than 25% of daily sales. Mobile payment technologies Apple Pay and Samsung Pay have been implemented in all X5 Retail Group stores, as well as in other federal retail chains. E-commerce is also developing in the food retail sector. Once launched, as planned, in April 2017, this will make it available to the customers of Moscow's biggest retail chain, the Perekrestok online supermarket, will turn online grocery shopping into a more mass-market experience.

Retailers are now introducing high-performance platforms to store and process big data, such as the SAP HANA used by X5. Intelligent customer demand forecasting systems for various categories of goods, as well as promotion event effectiveness measurement and improvement tools are being tested out, etc.



now being rolled out by Russian retailers, which have already become a very popular tool for financing operations with many local suppliers, also depend on EDI systems.

Electronic data exchange (EDI) systems include software solutions facilitating efficient logistics in the interests of producers and retailers, from intelligent warehouse management systems and technological solutions for RFID labelling systems making online control over commodity movements possible, to online freight "uberisation" services. To this end, the GoCargo solution implemented by X5 Retail Group in 2016 serves an excellent example.

EDI systems include biometric employee identification systems at distribution centres and stores, which provide for more efficient human resource management and allocation.

Finally, EDI also includes government infrastructural IT solutions, which are the cornerstone of consumer market management, such as the unified state automated information system regulating alcohol products, the electronic record keeping system for foods of animal origin Mercury, and online checkout data transfer modules, which signify a new stage in the development of big data processing in the Russian retail sector.

Development of technological solutions in these and other contemporary retail back office

spheres is the primary challenge of the Russian retail sector. Only state-of-the-art digital technologies can ensure efficient coordination of the efforts of retail chains, the government, producers and suppliers over the vast territory of our country.

In turn, such coordination efforts as already mentioned above must be aimed at a breakthrough in the development of the commodity distribution infrastructure in our country. The retail sector therefore needs, above all, those technological innovations that facilitate fulfilment of this range of tasks, and this is a factor to be considered by all technology companies contemplating entering the Russian retail market.

Strategic partnerships

The format of strategic partnerships between retail chains and producers has a great potential here. Strategic partnerships are joint production planning projects, or even joint projects to set up production capacity to match specific sales volumes, bring out new brands and implement smart sales management in the interests of consumers. New technologies open up vast opportunities here and no retailer can do without them if it wants to run efficiently and develop such partnerships.



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NON-RESOURCE EXPORTS FROM RUSSIA: TO BE OR NOT TO BE?

THE YEAR 2016 WAS BETTER FOR THE RUSSIAN ECONOMY THAN ANALYSTS AND STATE AGENCIES PREDICTED: GDP WAS DOWN ONLY 0.2% – A THIRD OF THE EXPECTED DECLINE.



ALEXANDER IVLEV

EY Managing Partner for Russia

MACROECONOMIC ENVIRONMENT

Russia's macroeconomic stabilization and the lowering of regulatory barriers were seen as positive signs by business, and this was reflected in the World Bank's Doing Business Rating: in 2017 Russia gained 11 points to take 40th place among 190 countries. PMI – a composite index of business activity – is also on the rise. Russia's index hasn't fallen below 50 in the last 12 months.

The outlook for the next few years is positive as well: the updated forecast of economic development for 2017 has growth in GDP rising to 2% and subsequently to the average world level of 3%.

HOW IS STATE SUPPORT CHANGING THE STRUCTURE OF RUSSIAN EXPORTS?

Russian non-resource companies have traditionally focused on

the domestic market, and the development of exports is thus inconceivable without state support, including in terms of planning and management. Positive changes are already in evidence: non-energy, non-resource exports continue to grow as a share of exports and at present account for more than a third of the total. This is a major advance.

Russia has boosted its exports of foodstuffs to China and other Asian countries as well as Europe. In terms of wheat exports, we overtook Canada and the US this spring, moving into first place internationally. Russia is exporting increasing quantities of meat, butter, cheese and curd as well as machinery, wood and many other goods.

It goes without saying that state support aimed at expanding the output of major companies and stimulating exports had much to do

»

RUSSIAN NON-RESOURCE COMPANIES HAVE TRADITIONALLY FOCUSED ON THE DOMESTIC MARKET

with this progress. Additional state support for non-resource and non-energy exports will thus be provided in the framework of four priority projects as part of the Russian Export Center's "international cooperation and export" efforts.

IN WHAT DIRECTION ARE RUSSIAN EXPORTS MOVING?

Based on year-end results, Russia's trade with non-CIS countries accounted for 85% of its total volume of trade. Rouble devaluation has prompted Russian exporters to partly shift their focus to non-CIS countries, since the currencies of CIS countries have also weakened, making other markets more attractive. Also, the proportion of exports to the European Union has declined in favour of APEC countries – above all, China.

According to the Federal Customs Service, the volume of trade between China and Russia was up 41% year-on-year in the first two months of 2017. It should be noted that in January and February 2017, imports from China to Russia rose 29% year-on-year (to USD 6.19 billion), while exports from Russia

NON-MINERAL AND NON-ENERGY EXPORTS MAKE UP MORE THAN

A **1/3**
OF TOTAL RUSSIAN EXPORTS



to China grew 58% in the same period (to USD 5.47 billion). This demonstrates not only an increase in volume, but a change in the structure and format of economic cooperation in line with the political course of both countries.

Why is China such a favoured destination for exports? Our research shows that Russian exporters are not only drawn by the unparalleled size of the Chinese market, but by other factors as well. The "Made in Russia" brand has added value in China because of its quality and environmental credentials: many Russian goods have no counterparts in China. Rapid decision-making by local entrepreneurs and the scale of projects play a positive role as well.

Along with growing cooperation in e-trade, mining, agriculture, entertainment and construction, China and Russia continue to strengthen their ties by expanding trade and cooperation in such strategic areas as oil and gas. China holds stakes in strategic projects (Yamal LNG) as well as directly purchasing oil and gas from Russia. In January 2017 Russia moved ahead of Saudi Arabia to become the largest supplier of crude oil to China. According to Chinese customs data, fuel supplies from Russia grew 25% as compared with 2015, reaching 1.05 million barrels per day. Preliminary data for 2017 suggest further growth in cooperation between the two countries.

Major infrastructure projects are also under way – construction of a high-speed railway between Moscow and Beijing, for example, and projects in defense, aviation and even nuclear energy – a sector with important secrecy considerations for any country.

Russia in Doing Business



Themes (ranking in global rating)
Establishment of enterprises.....26
Receipt of construction permits.....115
Connection to the power supply system.....30
Property registration.....9
Receipt of loans.....44
Protection of minority investors.....53
Taxation.....45
International trade.....140
Ensuring the execution of contracts
Resolving insolvency.....51





MAJOR INFRASTRUCTURE PROJECTS ARE ALSO UNDER WAY

OBSTACLES AND WAYS OF OVERCOMING THEM

There are still obstacles in the way of Russia's non-resource export potential – above all, the logistics infrastructure, further complicated by Russian specifics. The result is high transport, logistics and overhead costs. Railway transport costs and port charges, for

example, can account for up to 30% of the final price of grain, potentially making Russian-grown wheat uncompetitive on the world market.

For many categories of goods, Russia still lacks local sources of quality components at competitive prices and is thus unable to manufacture competitive products.

Finally, the fluctuation of the rouble exchange rate makes long-term investment planning more difficult.

What can be done to stimulate non-resource exports? The most important contributions would be infrastructure modernization as well as investments in new technologies and inventions and tax benefits for implementing them. Improvements in human capital and a qualitative change in the level of education would provide added incentives. A more mobile workforce would also be beneficial. Of course, efforts must be continued to enhance the legal and regulatory framework for business, encourage exports and innovation and generally develop the "Made in Russia" brand.



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WE SATISFY THE NEEDS OF 99% OF THE COUNTRY'S POPULATION



WITHIN A SHORT TIME, POST BANK HAS BECOME A NOTICEABLE PLAYER IN THE BANKING INDUSTRY AND ITS RETAIL NETWORK ALREADY RANKS SECOND IN SIZE ON THE MARKET. DMITRY RUDENKO, HEAD OF POST BANK, RECOUNTS HOW THE FINANCIAL INSTITUTION SEEKS TO BANK RUSSIA, ABOUT NEW TECHNOLOGIES, ABOUT WORKING WITH SENIOR CITIZENS, AND PLANS FOR THE FUTURE.

The post office and the bank seem to be different structures. What can possibly tie them together?

The ties are much stronger than they might seem at first glance. This is a banking model that has been proving its success for a long time in most parts of the world and its mission is to supply the remotest parts of the country with basic financial services. We are the only bank in Russia that has the opportunity to work within the postal infrastructure. This gives us the opportunity to satisfy almost the entire population of Russia with our services. The combination of the infrastructure of the Russian Post and banking services is a service in great demand, as is evidenced by the constantly growing client base and positive dynamics of portfolios.

There are still areas in Russia where people cannot open an account or make a bank transfer, even if they want to: there is literally nowhere they can do this. We are also working to ensure that the number of such areas becomes smaller. And we are enjoying some success: the bank's retail network has already exceeded 8 thousand outlets and, within a year's work, we have covered about 2.5 thousand settlements, more than

75% of which are cities with a population of less than 100 thousand and rural areas. It is simply impossible to bank the country otherwise.

The synergy of the post and the bank, together with a low-cost operating model, enables us to open offices even in places where traditional banks find it unprofitable to operate. Another important point is the availability of post offices within walking distance. We get closer to customers and benefit from this.

An opportunity to open an account in the nearest post office will reduce the share of cash in circulation.

I stand for the idea of limiting cash turnover to the average global level. First, the logistics of cash, especially considering the size of our country, are expensive and, second, non-cash payments increase the transparency of the economy.

There used to be proposals about banking the country using regional banks but this task now appears to be assigned to you?

Regional banks are an important part of the banking system but, in my opinion, they have limited resources to fulfil this task. Besides, they have

different owners and, because of this alone, they will not be able to act in concert, pursue a single policy regarding network development, product rates, etc. Meanwhile, all we need to do is teach a postal employee to open an account with a free card to a client, set up a terminal in the post office for withdrawing cash and replenishing the account – and there you go, you have access to banking services.

Unfortunately, small banks do not always meet the requirements of the Central Bank. Now imagine the need to provide all pensioners with high-quality financial services. What should senior citizens do if such a bank has its license revoked and their funds get "suspended"?

What services do you focus on?

The essence of banking products has not changed for centuries, only the form in which they are rendered and pricing can change. We offer our clients the financial services that are in most public demand: cash loans and credit cards, deposits and current accounts with interest accrual on the balance, payments, transfers. This is enough to satisfy not just 90% but 99% of the needs of an ordinary person.

What credit policy do you follow?

Post Bank competes with the leading market players: our pricing is quite liberal, so have we decided not to credit the sub-prime segment. The bank is now at the stage of intensive development and it cannot afford high risks. Re-credited customers have little chance of getting a loan from Post Bank – they simply will not pass the scoring. Our customers' needs for borrowed funds do not, as a rule, exceed RUB 400 to 500 thousand, so we do not operate in the segment of bigger loans.

Are you driving out microfinance companies by offering small loans on attractive terms?

Even if we do compete with microfinance organizations, it is only in terms of proximity to the client. As a rule, individuals borrow from MFOs if banks have refused them a loan because of high risks. Often, credit-dependent people are not easy to identify, because they serve their obligations. They may have twenty loans and, seemingly, why not issue them the twenty-first? The answer is simple: because they serve each previous loan with a new one. As soon as the next loan is denied, the pyramid collapses.

Why do you focus so much on working with senior citizens? How is this work arranged?

Senior citizens are an important target audience for the Post Bank for several reasons. First, the percentage of the older population is growing in Russia. This means that senior citizens play an increasingly important role in the banks' client base. And it is necessary to start working with them, telling them about the terms of service, today. Second, senior citizens are responsible borrowers and up to 60% of them are inclined to save and form stable balances on their accounts.

Senior citizens need to receive their pension on time, multiply their income without excessive risk and pay their bills. By transferring their pension to their savings accounts with monthly accrual of interest on the balance, we satisfy these needs. In addition, preferential loan conditions and increased rates on deposits are available to senior clients.

We work with the Pension Fund of Russia in the same way as other pension-delivering banks: we conclude agreements on delivery of pensions with regional offices of the Pension Fund (today there are 60 of them and, in the next few months, there will be over 70 such offices). At the Pension Fund offices, we place consultants who tell visitors about the bank and its opportunities to deliver pensions and about additional bonuses available for senior clients.

Russian Post provides the most parcel deliveries from online stores. Do you work with their clients?

Of course we do. We have developed an interesting solution for them. First, you can download a mobile application and access a virtual card for making purchases online; so, even without visiting an office, the client gets a convenient and secure e-wallet. Second, all online purchases using Post Bank cards are protected from a number of common risks by the "Online Buyer Package"; such risks include cases when the product delivered is defective, when it can be found in another Internet store at a lower price, when you have to pay for return shipment if the goods did not suit you.

What is your attitude towards innovations in the banking sector?

My attitude is pragmatic. If the innovations make our services more convenient for customers, increase business efficiency – it's great; if they do not – then we will not have innovations just for the sake of it. For example, blockchain – is it an interesting technology? It is. But as long as we do not understand clearly how it will make our services better, what new opportunities it will open in our work with customers, we will not introduce it only to tell our industry colleagues that Post Bank has applied blockchain.

What risks do you see for your business, considering the current economic conditions?

Throughout my professional career, I've heard people talk about the "difficult times we are facing", "the severe economic situation", and so on. But look at us – we live, we work. So I do not see any significant risks

for our business. The key rate is gradually decreasing, there are persistent positive trends that stabilised the situation on the retail banking market last year. These trends are, above all, shifting of the population's behavior toward savings and reducing the delay in granting new generations of loans, which suggests a more balanced attitude by borrowers in assessing their own financial capabilities and a certain increase in payment discipline.

It should be noted that banks do not attempt to grow at any cost today; they have ceased to pursue portfolio volume – quality has become their priority. Re-inflation of the bubble of default loans is easier to prevent than to face its consequences again.

What are your plans for business development in 2017? What is your strategy?

We have a lot of plans for 2017 – all that remains is to implement them. The key areas of our work are expansion of our regional presence, growth of the loan and deposit portfolios and of the client base. We plan to cover 82 regions by the end of the year; the bank has already begun operating in the Far East and North Caucasus and, as of today, it is present in more than 70 regions of the Russian Federation.

We plan to increase the loan portfolio by one third and practically equate it with the deposit portfolio at the level of RUB 150 bn. We will attract customers with our good rates, close proximity of client centres, ease of service use and high quality service. There are no other recipes for a bank's success for now.

As for the strategy, we are developing consistently. By the end of 2018, we plan to form a retail network – nearly every second post office in the country will have Post Bank points. We will begin to develop transactional servicing of small businesses; once again, we will revise the sufficiency of the current product range. There is always room for improvement and where to grow, increasing the efficiency of the business. Isn't that something to be happy about? For, as the song goes, to make a step forward, we have not only room, but potential as well.



BLOCKCHAIN. INCEPTION OF NEW ECONOMY



**SERGEY
GORKOV**

Chairman of Vnesheconombank

HOW WILL BLOCKCHAIN TECHNOLOGY IMPACT ON THE QUALITY OF LIFE OF THE AVERAGE PERSON? IS THIS TECHNOLOGY INDUSTRY-BASED, STATE-OWNED OR A CROSS-BORDER ONE? WHAT FORMS OF REGULATION FIT BEST INTO THE NEW REALITY? THE PARTICIPANTS IN VEB'S SPECIALIZED SESSION ON BLOCKCHAIN AS PART OF THE ST. PETERSBURG INTERNATIONAL ECONOMIC FORUM WILL SEEK ANSWERS TO ALL THESE QUESTIONS. THE DAY BEFORE THE EVENT, WE SPOKE WITH SERGEY GORKOV, CHAIRMAN OF VNESHECONOMBANK, ABOUT THE BACKGROUND AND MAIN TOPICS OF THE DISCUSSION, AS WELL AS WHY THE BANK IS SO INTERESTED IN BLOCKCHAIN TECHNOLOGY.



Mr. Gorkov, why blockchain? The interest shown in this technology by a state-owned corporation is quite surprising...

We are at the verge of the fourth industrial revolution. We are still trying to comprehend where exactly this path is taking us. Yet the outlines of the new age are already visible. No doubt, just like preceding ages, Industry 4.0 will redesign most sectors and create new ones. Cyber physics, neuroelectronic interfaces, biomedicine... All will affect our life style.

We will move to an economy of completely new interfaces between people, business, government and institutions. These interfaces will be decentralized, transparent and dynamic. The weaving loom was the driver of the first industrial revolution, the conveyor belt of the second, and the Internet of the third. Blockchain can drive the fourth industrial

Blockchain at a glimpse

A blockchain means, literally, a sequence of data units where every unit, or block, presents as a data package containing unique code, a set of transactions and information about previous transactions. A transaction can only be deemed verified once the respective record becomes part of a block and the block, in turn, becomes part of the chain.

The process of generating blocks is called mining (by association with the mining of natural resources) and is based on cryptographic algorithms. A blockchain is essentially a database of all previous transactions. The database is not centralized. Every user within the system has a copy of the entire public ledger of transactions, which creates a distributed trusted collaborative environment.

Decentralization is a crucial element of the blockchain technology. All data is stored locally and is identical which makes it impossible to hack or "cut off" the blockchain. Furthermore, the system is designed in such a way that every user continuously checks the data it receives. As a result, every transaction validates the integrity and reliability of the data within the chain.

New data is added at the end of the chain completing the already verified data and partially based thereon. If some data within the blockchain is modified, for example, due to a breach, it will trigger changes in the chain down the line, otherwise the error will be visible to all users. However, changing data stored on, for instance, ten thousand computers is a complicated and expensive process, which ensures data integrity and accuracy.

All participants of the blockchain fall into two categories: standard users who create records (operations, actions, transactions) and miners who build the records into data blocks (packages, envelopes). The process is very complex and resource-intensive, and not every user possesses the technical capacity to carry it out.





revolution. Today, this technology is aligned to the maximum with the decentralization principle. We are already using the term "e-body" ("electronic body") meaning a person linked to the Internet 24/7. The human being has become an element of the global network. We prefer electronic services. To put it simply: no one flags down a taxi in the street; we prefer to order a taxi via our mobile apps.

As for our interest in this topic, on one hand, we are participating

in developing the government programme "Digital Economy" described by Russia's President in his Annual Address to the Federal Assembly. On the other hand, we are working to make processes more efficient and to introduce advanced technology in our Bank. Our new strategy stipulates the priority of the Bank's participation in catch-up development, and even more relevantly – in rapid development. Blockchain will allow us to take a step forward in technology development.



WE WILL MOVE TO AN ECONOMY OF COMPLETELY NEW INTERFACES BETWEEN PEOPLE, BUSINESS, GOVERNMENT AND INSTITUTIONS

Does this mean you believe Russia can be a leader in blockchain implementation?

Correct. Currently, all the developed countries are approximately at the same level in developing and implementing blockchain. None are so far ahead that the others won't be able to catch up. And we should grasp this opportunity.

Aren't you afraid that blockchain will turn out to be just a fashion statement?

On the contrary, we want it to become fashionable, to provoke interest and to attract more and more participants into development of the new technology. It is important to shape the practice of implementation, application and development of this technology, to seek its applied significance and identify all the related risks.

Blockchain is already used in other countries and we will proceed from their experience. For example, ING and Societe Generale banks are currently exploring the possibility of applying this technology in trading liquefied natural gas.

Only very few in Russia were talking about blockchain technology just a few years ago. Today we are discussing the possibilities of implementing it at the federal level. The RF Ministry of Communications recently announced that, by 2019, there would be a comprehensive legal framework for full-featured application of blockchain technology.

At SPIEF, among other topics we will be discussing a global one: the possibility of a standard platform based on blockchain to provide for interaction between different countries, such as for cross-border trade purposes. Blockchain is for good reason often called the "new Internet" because of its global character. Discussions are going on in various countries and even international consortia are being set up, like R3.

Where do you see the highest potential for blockchain in Russia?

This technology can be the basis for creating any sort of public register of various transactions and the rolled-out system per se will provide for



verification of payments/transactions. We are envisioning big potential for blockchain applications in the Federal Agency for State Registration, Cadastre and Cartography. This technology may significantly reduce the time required for providing public services, increase operational efficiency and make relations between the public and institutions more transparent.

Of course, it is important to take all the potential risks into account. Certain limitations are required for such transactions as transfer of title to an apartment and the like. No deal may be put into practice in some cloud system without certain guarantees, a regulatory framework and a regulatory agency.

Speaking about the development bank, we could execute digital deals with our borrowers based on blockchain. This will significantly reduce the paperwork and costs, as well as facilitate interaction. Currently, we are exploring the possibilities of blockchain applications for trade

financing and investment project management.

Overall, blockchain may change the order of transactions: the relevant transaction model will switch from using a centralized structure (banks, exchanges, trading platforms, energy generating companies) to a decentralized one (end users, consumers). Third-party intermediaries (currently servicing most industries) will no longer be required because transactions may be initiated and

executed directly between equal participants in the network.

As a result, the entire system becomes more flexible, as many workflow tasks previously performed manually will be done automatically using so-called "smart" contracts.

It is extremely important to develop relevant conditions for blockchain creation: from infrastructure to specific tools supporting specific projects. This is our outlook for the nearest future.



BLOCKCHAIN WILL SIGNIFICANTLY REDUCE THE PAPERWORK AND COSTS, AS WELL AS FACILITATE INTERACTION

THE SITUATION IS LESS PREDICTABLE THAN IT WAS FOUR OR FIVE YEARS AGO



OLIVER HUGHES

CEO Tinkoff Bank

Where do you see the global economy going over the next year and how can this impact your own growth prospects?

Tinkoff is a Russian company; we only do business in Russia. We are thinking about business beyond Russia's borders, and this is on the public record, but for the moment we only have business here and we're not planning anything in the near future in terms of international expansion. So, what happens in terms of external forces that come to bear on the Russian economy, the Russian financial sector, are obviously very important to us. Russia's obviously been through a bit of a difficult period over the last two-and-a-half to three years. We know what sequence of events that led up to this. But recently, the economy seems to have bottomed out; it's going back into weak growth mode. Will it go back into high growth? Highly unlikely in the near future. Obviously, we all hope it

will at some point, but it's going to be very low-single digit growth for the next year or two. Relative to other emerging markets we still see Russia as in not bad shape; it's proved to be very resilient. The government has made a lot of good decisions, in the right order and in a timely way, they've managed the economic situation, and we've come out really looking quite good. Beyond stuff that you get out the ground, Russia has a lot of good things going for it. There has been a bit of a clean-out in the economy and especially in the banking sector. Some bad players have left, the good players that remain are feeling stronger in an emptier market. If you look at the finance sector that's especially true, where there's been quite a big clean-out, which we obviously like. What could derail us from outside, it's difficult to say but obviously if there's some kind of global financial dislocation, as we've seen in previous years, for example a big bank collapse in the US or Europe, then obviously that would have a knock-on effect on the financial sector here. But, we very much hope that we won't have any imported problems.

Do you think there are more threats and uncertainties facing your business today than three years ago?

There're always threats and uncertainties; I don't remember a time when there weren't any. Maybe globally, I would say that, economically and politically, the situation is less predictable than it was four or five years ago. But, there's always going to be something that fortune has to throw our way and that's just part of the nature of doing business in a fairly volatile emerging economy.



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SALVATION LIES IN HUMANS: WITHOUT THEM, NO DIGITALIZATION



**KIRILL
VARLAMOV**

Director, Internet Initiatives
Development Fund

UNTIL RECENTLY, SOME PEOPLE USED TO FANTASIZE ABOUT AN ABSOLUTE UTOPIA: SUCH AS ALL PHYSICAL WORK BEING DONE IN THE FUTURE BY ROBOTS, WITH PEOPLE LEFT WITH ONLY INTELLECTUAL AND CREATIVE WORK. REALITY OUTSTRIPS THE DREAMS OF THE PAST BUT GIVES NO REASON FOR JOY. THE PROPHETS OF PROGRESS COULD NOT EVEN IMAGINE THAT DEVELOPMENT OF TECHNOLOGY WOULD CHALLENGE EMPLOYMENT OF A MAJOR PART OF MANKIND.

Hundreds of thousands of former street-cleaners left without their brooms is, in fact, not the worst case scenario but unfortunately an unrealistic one. Too optimistic! Robots at plants, automatic assembly lines and driverless cars are merely the visible part of digitalization of the economy, the very tip of the huge iceberg. In reality, learning neuron networks and artificial brains are soon to replace most routine intellectual workers. Their work will be done by software and that software is going to replace 10 times more jobs than mechanical robots. Bankers, recruiters, notaries, accountants, lawyers, newsmen and even scriptwriters: all these occupations will gradually become a thing of the past. For instance, the Associated Press's bot is already producing two thousand pieces of sensible news per second. A year ago, film director Oscar Sharp and technologist Ross Goodman even presented a full-length film according to a scenario written by a neuron network! Technology is threatening the livelihoods of Hollywood scriptwriters, not to mention millions of future university graduates who are unaware of the risk of being thrown overboard with their new diplomas. Do any of today's children remember what a telephonist or a lamplighter does?

Speaking to the Federal Assembly in 2012, our President voiced the task of creating and modernising 25 million new jobs by 2020. This is an important task but, even if it is fulfilled, who is going to be able to fill these jobs? On the contrary, according to our forecasts and OECD data, around 6 million jobs will basically disappear in Russia in the medium-term as being useless and another 20 million will change dramatically in nature. As a result, we will be witnessing a real drama: 26 million people will lose their jobs but 20 million new jobs may be vacant because they require other skills and competencies. As a country, we are not ready for such changes, including because we don't know what those competencies should be and where can we get them.

All this will be conditioned by two trends: universal robotization

and algorithmization of operating processes. Robots will keep taking physical labour upon themselves, while algorithmization, meaning digitalization of processes into codes and software, will enable automation of many, in fact rather routine intellectual operations. For instance, our portfolio startup Stafory is already absolutely able, that is to say 100%, to replace the recruiter: the artificial brain 'scans' CVs on job-seeking websites, makes initial calls to candidates, conducts interviews using a human voice and making a video recording if necessary, complements the CVs, produces hiring recommendations and provides them to the company HR. The huge recruitment services market is thus being killed not by a giant such as Google but by a single startup that has created an AI-solution in just eighteen months with an initial investment of RUB 1.5 m. If you have children who are now studying to be recruiters, think of where they will end up in a few years's time. Digitalization liberates entire classes of ordinary occupations from human involvement and its impact on the economy is much greater in scale than the industrial revolution. We are talking here about dozens of millions of lives in Russia alone.

Particularly in the context of the onrushing digitalization, it is important to revise Russia's strategic priorities in social and economic policy. For decades, the dominant economic paradigm in our country has been investing in the infrastructure in order to promote economic growth rates, including by means of large-scale state projects. But what is the infrastructure in the economy of the future? Is it the roads, bridges, buildings and cables that Russian capital construction loves so much? Alas, not any more.

Even the universal computerization and network cabling common to the 'dotcom' era are losing their relevance. The basic infrastructure in the new digital economy is code, that is to say, software that is laid upon the networks, gadgets and gauges we already have. And it is not some 'rough' code written by a multitude of Indian offshore programmers; it's code that has already been shaped into process platforms, protocols and standards, as well as into mass information services and IT products for individuals and business. Such infrastructure can have only one genuine producer: a human being. In other words, people are our new work benches, highly intellectual means of production for the new infrastructure of the new economy.

That is why, in a world where many jobs are to be robotized and algorithmized, the value of human capital can hardly be exaggerated. The leading global economies are already prioritising human over financial or natural capital: it is its level and quality that determine the development of science and new production, their competitiveness on international markets. This is about talented scientists and teachers, engineers and programmers, entrepreneurs, other professionals and high-class specialists realizing their potential in the country or for the benefit of its economy.

Developers of sophisticated technology and entrepreneurs hold special positions in the human capital structure. These are the people who can become conveyors and catalysts of digitalization in the economy. It is indicative that the Chinese development programme Internet+ clearly reveals the Chinese Government's aspiration to engage as many people as possible in entrepreneurial and innovative

DIGITALIZATION LIBERATES ENTIRE CLASSES OF ORDINARY OCCUPATIONS FROM HUMAN INVOLVEMENT



activity, thereby pursuing two goals simultaneously: employment of employees left without jobs owing to robotization and digitalization, and stimulation of innovative development of big Chinese business. And the point is not only that small and medium-sized enterprises are the foundation of the developed countries' welfare: their share in the economies of the USA, Great Britain and France is about 50%, and 60% in China. The technological entrepreneur is not just a person with a booth selling mobile phones or fur coats. The I IDF experience of working with thousands of startups has proven that the entrepreneur of the future is also the one who realizes revolutionary ideas, brings together financial and human resource flows, turning them into successful new projects able to conquer global markets and attract financial capital.

It is important to bear in mind that the programmer's job is also rapidly changing in nature. The programmer is often no longer the author of thousands of new code lines. The programmer of the 21st century is a coder, engineer and architect rolled into one, a person thinking in platform solutions and building integrated systems. Such specialists have already long been sought by major global IT corporations that are developing their products into mega-platforms: Google, Facebook, Uber, Apple.

Unfortunately, the Russian human capital situation is deplorable. In the Global Talent Competitiveness Index,

Russia occupies a comparatively high 28th place in terms of global knowledge and operating skills, yet, in the overall rating, it ranks 56th, behind Uruguay, Panama, Romania and Kazakhstan, owing to its poor capacity to attract and utilize talent. The brain drain problem is acute in Russia: we are 86th in the relevant rating, behind Tanzania, Madagascar and Pakistan. That is to say, we are still able to 'create' human capital but we fail to provide it with the conditions for self-realization and comfortable development. The consequences of this gap are quite simple: the best and most talented Russian citizens, in other words, the most productive part of the human capital, cannot find growth points inside the country, so they "evaporate".

Unless we take systemic measures to develop and build up our human capital, we will face a wide range of new threats. As already mentioned above, this is primarily an HR crisis. Second, we will face a critical reduction in the number of Russian products in the economy, the result being an increasing technological dependence on other countries. Third, Russia might entrench itself as a donor of talented and enterprising young people and specialists for the global labour market. Not very attractive prospects, are they?

In order to reverse this trend, the national policy in the area of human capital management needs to be revised. It should become the key target of investment in Russia,

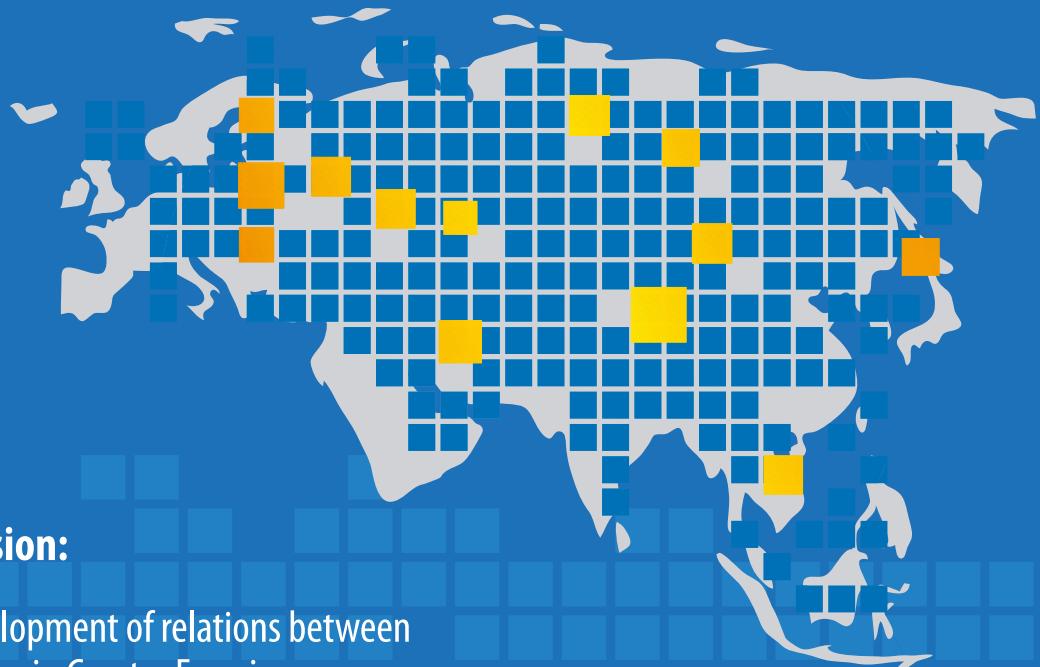
while the economy should learn to 'utilize' the potential of growing human capital. And this is what I IDF does, among other things, by providing assistance in launching new digital projects via systemic support for human capital development in the most promising IT sectors. Yet this is not enough. It is now high time to stop using the term 'costs' when talking about education and healthcare. Investments in these segments are not costs but investments with a postponed, long-term effect. Not without reason does the linguistic relativity hypothesis formulated by Sapir and Whorf state that language determines the way of thinking. The faster we manage to change our way of thinking, the more effectively we will be able to handle new phenomena.

It is critical to reconsider and reconstruct our education system by updating standards in consideration of new technology, social shifts and the psychological specifics of the younger generation. While the civilized world has realized the backwardness of the Prussian educational model and started implementing personalization, continuous learning, project approach and soft skills focus – the Skills of the 21st Century – in education, Russia is still discussing the rectangular form of classrooms or marching drills. To say nothing of the urgent need to build up job guidance mechanisms and close links between secondary school, higher education and business. Finally, it is crucial to decide what our goals are and what tools are needed to make sure we don't fall into a cargo-cult by raising fashionable technological tools to the rank of an end in themselves or even an idol. With a view to consolidating efforts, developing a strategy and streamlining the activities of all parties interested in supporting national human capital, we are setting up a Human Capital Development Union. We are almost out of time already: we should have embarked on this a long time ago. But better late than never. If we change our attitude towards human capital today, Russia can become a major exporter of not only natural but also human resources.

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SERGEY VYAZALOV



General Director of the Ministry of Foreign Affairs of the Russian Federation, Chairman of the Board of the Roscongress Foundation

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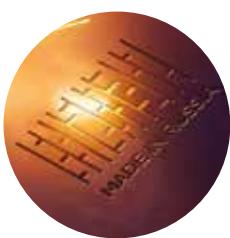
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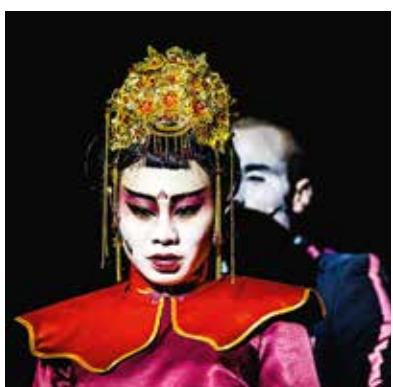
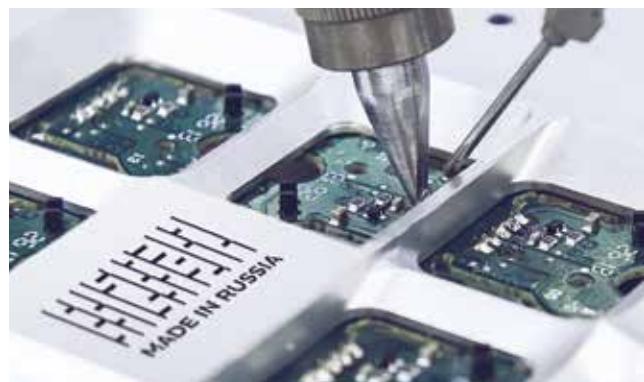
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YANG GE

Actress, Ambassador of the World Festival of Youth and Students

MY COUNTRY CHINA IS A COMPLETE MYSTERY TO ME

How Russians and Chinese can not only become friends, but actually understand each other according to a person who has truly lived in both cultures at once



SUBTLETY
AND IMAGINATION:
RESTAURANTS FOR SPIEF
PARTICIPANTS

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SPIEF TO OPEN EXTENSIVE OPPORTUNITIES FOR INTERNATIONAL COMMUNICATION

FROM JUNE 1 TO JUNE 3, 2017, RUSSIA'S NORTHERN CAPITAL WILL HOST THE NEXT ST. PETERSBURG INTERNATIONAL ECONOMIC FORUM "ACHIEVING A NEW BALANCE IN THE GLOBAL ECONOMIC ARENA". ITS ORGANIZER IS THE ROSCONGRESS FOUNDATION, THE BIGGEST CONVENTION AND EXHIBITION EVENTS OPERATOR IN RUSSIA.



SERGEY VYAZALOV

General Director of the Ministry of Foreign Affairs of the Russian Federation, Chairman of the Board of the Roscongress Foundation

The St. Petersburg International Economic Forum (SPIEF) is a unique event in the world of economics and business. The Forum was first held in 1997 and, since 2006, it has been organized under the patronage and with the participation of the President of the Russian Federation.

Since its inception twenty years ago, the St. Petersburg International Economic Forum has grown from a regional event to a reputable and significant international discussion platform. Today, SPIEF is a well-established and powerful brand recognised in the global community. Heads of international organizations, leaders of states, heavyweight political figures, representatives of business, the public and the media endeavour to take part in the St. Petersburg Forum.

The statistics for recent years show that the St. Petersburg Forum is attended by over 12,000 participants from Russia, Europe, Asia, USA, North and Latin America.

Every year, attendees and visitors participate in a topical programme full of meaningful discussions and interesting meetings that promote promising ideas and initiatives.

The agenda for the St. Petersburg International Economic Forum always includes the most acute and topical problems of our time, including discussions on formation of a multipolar world, displacement of influence zones, the search for a balance in the global economic system, development of human capital and other global economic and political trends.

By opening up new opportunities for establishing contacts at the political and business levels, the St. Petersburg International Economic Forum plays an important role in developing international relations and business contacts between countries. The Forum is an effective platform for business dialogues and presentations of the opportunities offered by companies with the aim of finding new partners, as well as expanding and developing business relationships.

Recommendations and agreements developed during the Forum have an important practical focus, serve to enhance the Russian and the global economy, and promote development of equitable international cooperation in various fields, as well as launching promising new projects.

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FROM THE GLOBAL ECONOMY TO THE DEVELOPMENT OF THE FINANCIAL MARKET

WHITE NIGHTS AND SPIEF 2017 WILL GIVE WAY TO THE INTERNATIONAL FINANCIAL CONGRESS IN ST. PETERSBURG, AN EVENT JUST AS POPULAR AS THE FORMER WHICH WILL MAKE IT CLEAR TO ITS PARTICIPANTS WHAT NEEDS TO BE DONE TO DEVELOP THE ECONOMY AND WHAT ROLE THE FINANCIAL SECTOR WILL PLAY IN THIS REGARD.



Following one of the world's prominent economic events, business representatives will be in no hurry to leave St. Petersburg as the city plans to host the 26th International Finance Congress from July 12–14. The event, which is no less important than the St. Petersburg International Economic Forum, will bring together people who are well versed in the Central Bank's policy in the whole spectrum of its manifestations – from monetary and credit policy to prudential supervisory measures.

This time the agenda of this international event will take on one of the most complex themes – 'Finances for Development' – which will depend on the teamwork of all stakeholders, including financial market regulators, which in turn are often dependent on external factors.

The programme will kick off with a visit to a ballet performance of 'Anna Karenina' on the new Mariinsky Theatre stage. The congress itself will open with a welcome address from St. Petersburg Governor Georgy Poltavchenko and a speech from the Governor of the Central Bank of Russia Elvira Nabiullina.

More than 30 sessions are planned at the IFC 2017 with a focus on economic development, the role of the financial sector in this process, and relevant topics concerning financial market regulation and oversight.

This year the congress will once again bring together representatives of credit and non-credit institutions and, of course, regulators for an open and confidential dialogue about the Central Bank's ability to promote long-term economic growth, about the contours

of key market reforms, and drivers of growth in certain sectors of the financial market. The IFC 2017 is expected to be attended by more than 1,000 participants from different countries along with more than 200 members of different media outlets.

Attention will also be paid to themes that determine the trajectory of the global and financial markets in coming years such as innovations in the financial sector, information security, corporate data management, and the development of macro-prudential regulation.

Governor of the Bank of Russia Elvira Nabiullina will take part in the IFC, and high-ranking representatives of central (national) banks from several countries (Finland, Croatia, Singapore, Malaysia, Armenia) as well as representatives of the IMF, the ECB, and the Financial Stability Board will share their experience. The foreign business community will be represented by leading financial experts, researchers, and consultants.



WHAT'S NEW?

All the IFC sessions will take place in the genre of interactive discussions with discussions of the current problems facing the global financial system. This year the programme of business meetings will expand to seven parallel roundtables and extend to topics that cover almost all issues related to the financial market.

The main innovation of the IFC 2017 will be the fact that two adjacent congress venues in the centre of St. Petersburg will be hosting the Congress: the Presidential Library and the Central Exhibition Hall 'Manege'. An exhibition of IFC general partners will be held in the entrance hall of to the Manege Central Exhibition Hall for the first time in the history of the IFC. In addition, the Innotribe SWIFT competition of start-ups will be held at the IFC 2017 along with the selection of its winners.

The IFC is expected to be fully rebranded this year. The presentation of the new style and logo of the International Financial Congress will take place in late May or early June 2017.

In 2017, the IFC will retain the format that was tested last year. Previously, the range of discussion topics primarily focused on the functioning of the banking sector, but now the IFC topics will cover all aspects of financial activities.

Prior to 2016, the event was called the International Banking Congress. But starting in 2016 the name was changed to the International Financial Congress. This was due to the fact that the Central Bank of the Russian Federation, which is the main organizer of the Congress, became a mega regulator and expanded the range of types of financial activities that it oversees.





RUSSIA'S WINDOW TO THE ASIA-PACIFIC REGION

THE THIRD EASTERN ECONOMIC FORUM WILL TAKE PLACE IN VLADIVOSTOK ON 6–7 SEPTEMBER 2017 BASED ON A DECISION BY PRESIDENT VLADIMIR PUTIN.



For most Russians, the Far East seems like some sort of hard-to-reach far off land. After all, the distance from Moscow to Vladivostok is almost 6,500 km, or a roughly eight-hour flight. By train you would have to travel some 9,300 km, and by car the shortest route is more than 10,000 km. But looking past the logistical difficulties, many people forget that the Far East is an epicentre of turbulent economic life. Judge for yourself: there are 65 million people residing in the two border provinces

of China. South Korea and Japan are nearby with populations of 51 million and 127 million, respectively. There are some 400 million people living within a radius of just over 1,000 km from Vladivostok. That's roughly the same distance between Moscow and Rostov-on-Don. Or from Vladivostok to Yuzhno-Sakhalinsk. According to numerous experts, this small part of the world produces a gross product of some USD 7 trillion, or half of the entire European Union. The density of the economy and economic life is higher there than in Europe.

So it's no surprise that the third Eastern Economic Forum will once again take place in Vladivostok. The Forum has rapidly gained popularity over the last two years. Specialists note that the secret to its success is quite simple – Russia's Far East has currently created a competitive model for economic development. We can safely state that the EEF 2017 will become the next stage in the dynamic development of this new economic space.

The Forum is attended by Russian President Vladimir Putin as well as

the leaders of Asia-Pacific region countries and serves as a platform for discussing issues not only related to the development of the Far East, but the Asia-Pacific region as a whole.

The large-scale event in Vladivostok essentially has a pragmatic and practical focus: it seeks to strengthen ties within the international investment community and provides an opportunity for a comprehensive expert assessment of the economic potential of the Russian Far East.

As regards the Forum's key focuses, one of the highlights is a demonstration of investment potential in different sectors of the Far East economy: from agriculture and tourism to heavy industry and high-tech manufacturing as well as strengthening the ties of the international investment community, Russian business, and the federal, regional and local government authorities.

In addition, the Forum will address issues related to the government's provision of tax and other benefits for investors, searching for new opportunities for the economic growth of Russia's Far East, and prospects for its integration into the economy of the Asia-Pacific region.

Meanwhile, we should not forget about the advantages offered for attracting investment. Presentations will be held at the forum on new conditions for investment and doing business: priority development areas, the Free Port of Vladivostok, and state support for promising investment projects.

All Forum participants will have an excellent opportunity to learn about specific business

Details

This time the third Eastern Economic Forum will take place immediately after the conclusion of the ninth BRICS, which will be held in China. Since its outset, the Forum has been firmly entrenched in the list of major global political events. The EEF 2017 will take place on the campus of Far Eastern Federal University (FEFU) on Russky Island in Vladivostok. A number of events will also be held on the Forum's zero day – 5 September 2017.



PRESENTATIONS WILL BE HELD AT THE FORUM ON NEW CONDITIONS FOR INVESTMENT AND DOING BUSINESS

projects, receive information about the Far East's existing investment opportunities and also hold consultations on doing business in the region. An extensive pool of promising Russian and foreign investment projects that are suitable for practical implementation will be presented at the EEF. The project creators will provide potential investors with detailed presentations containing the economic justifications required for decision-making.

One of the themes of the third EEF will be the implementation of the 'Far Eastern hectare' programme.

Agency for the Development of Human Capital in the Far East (ADHC FE) Deputy CEO Denis Kuzin told the media that an entire plenary session will be devoted to this issue. It will be attended by the heads of Far East regions, representatives of the Ministry for the Development of Russia's Far East, and the ADHC FE. Actual recipients of the 'Far Eastern hectare' are expected to talk about how they plan to develop the land they received and will be able to raise issues that concern them.

The best ideas for using the 'Far Eastern hectare' will also be presented at the EEF 2017.



TOGETHER WITH THE WHOLE PLANET: RUSSIA ONCE AGAIN WELCOMES YOUNG PEOPLE FROM AROUND THE WORLD

THE NINETEENTH WORLD FESTIVAL OF YOUTH AND STUDENTS WILL TAKE PLACE IN SOCHI IN OCTOBER. THE ORGANIZERS EXPECT MORE THAN 20,000 ACTIVE YOUNG PEOPLE FROM 150 COUNTRIES AS WELL AS 5,000 RUSSIAN AND FOREIGN VOLUNTEERS AT THE SITES OF THIS MONUMENTAL EVENT. THE FESTIVAL WAS LAST HELD IN 2013 IN QUITO, ECUADOR. BUT THE LAST TIME AN EVENT OF THIS MAGNITUDE TOOK PLACE WAS IN 1957, WHEN MOSCOW HOSTED THE SIXTH WORLD FESTIVAL OF YOUTH AND STUDENTS.



19th World Festival of Youth and Students



Over its 70 years of existence, the format of youth festivals has become firmly entrenched in the minds of millions of people. Way back in 1947, after World War II, representatives of progressive youth held the first festival of youth and students. At that time, there was a need to strengthen international ties, for interaction between nations and cultures, and to create a network of friendly foreign youth-based non-commercial organizations around the world. The first festival was attended by roughly 17,000 young

»

THE FIRST FESTIVAL WAS ATTENDED BY ROUGHLY 17,000 YOUNG PEOPLE FROM 71 COUNTRIES



people from 71 countries under the slogan: "Youth Unite, Forward for Lasting Peace!". Russia hosted such events on two occasions – in 1957 and 1985.

Obviously, the original goals have undergone serious changes over time, but nevertheless more than 20,000 young people from 150 countries will travel to Sochi, Russia for the 70th anniversary of the WFYS. Huge staffs of Russian and foreign volunteers are expected to be involved in the work. The organizers will preserve the history of the festival movement and make the upcoming forum a global platform for an intercultural and international dialogue and a new stage in international cooperation, which will unite future generations around the idea of peace.



HONOURING OUR PAST, WE BUILD THE FUTURE

Seventy years is truly an impressive number. The nineteenth festival also has an impressive slogan: "For Peace, Solidarity and Social Justice We Struggle against Imperialism – Honouring Our Past, We Build the Future!" The upcoming festival will be the third generation of the main youth forum that took place in Russia and moreover will take place on the 70th anniversary of the first World Festival of Youth and Students, the 100th anniversary of the Great October Socialist Revolution, and the 60th anniversary of the first Moscow festival. This year marks 50 years since the death in combat of Ernesto Che Guevara, who fought his whole life

for freedom and independence. The year is quite conducive for the atmosphere of youth freedom and creativity.

According to the organizers, one of the primary objectives of the WFYS 2017 will be for young people from different countries to develop an image of the future together and attempt to formulate answers to the most pressing challenges facing this generation.

Some people are nevertheless sceptical about modern forums. They say the festivals are a platform for politicians and not for young people with burning hearts. However, WFYS 2017 Organizing Committee Chairman Sergei Kiriyenko has given assurances that this festival is above all a youth event and not a state event.



THE NATIONAL YOUTH COUNCIL OF RUSSIA PROPOSED HOLDING THE WFYS IN RUSSIA IN 2017 (WITH SUPPORT FROM PRESIDENT VLADIMIR PUTIN)

Economy 2030

Anyone who wishes can see the festival programme in all its glory on the sidelines of the St. Petersburg International Economic Forum. The document was approved at the third International Preparatory Meeting of the Nineteenth World Festival of Youth and Students (Colombo, Sri Lanka). In addition, a unified communications platform – a prototype of the mobile app – will be presented at SPIEF. This platform will be the main aid in Sochi for festival participants: using augmented reality technology, it will make it possible to get information online about the status of festival events, learn about the festival programme, and take part in surveys.

WFYS representatives will even hold a talk show called 'Economy of the Future' at one of the SPIEF venues. Student teams will present their programmes 'Economy 2030' and their vision of the economy of the future.

"Therefore, the goal of the state authorities is to help organize and provide support. But the content of the WFYS should not be conceived by young people; it should emerge in a youth environment!" the First Deputy Chief of Staff of the Presidential Executive Office said.

INVOLVING THE WHOLE COUNTRY IN THE YOUTH CELEBRATION

The National Youth Council of Russia proposed holding the WFYS in Russia in 2017 (with support from President Vladimir Putin). This idea was approved by the World Federation of Democratic Youth.

Sochi was not chosen as the host by chance – it was also approved, but at a meeting of the International Preparatory Committee of the Nineteenth World Festival of Youth and Students, which took place in June 2016 in Caracas, Venezuela.

Young leaders from different spheres will gather in Sochi: representatives of youth NGOs, young journalists, engineers, scientists, creative and athletic young people, leaders of youth organizations of political parties as well as compatriots and foreigners who study the Russian language and are interested in Russian culture.

This will mark the first time the festival is not hosted by a capital



THE PROTOTYPE FOR THE WFYS 2017 LOGO WAS THE SYMBOL OF THE 1957 FESTIVAL HELD IN MOSCOW



city, but with the involvement of the entire country: the festival will begin with a massive parade in Moscow; key events will be held at Olympic Park in Sochi; a programme has been established for foreign participants in Russia's regions – from Kaliningrad to Vladivostok. It will be a unique opportunity to learn about the culture and traditions of our enormous country.

As in the past, the symbol of the WFYS 2017 will be a multi-coloured chamomile, which symbolizes the continuity of traditions, the connection of generations as well as peace and unity of the world's entire population. Only this time, its main component will be coloured pixels as a sign of the youth's community around the world in the era of information and technological progress. The prototype for the WFYS 2017 logo was the symbol of the 1957 festival

The main pillars of the scientific and educational programme of the nineteenth World Festival of Youth and Students will be 'Projecting the Future: Architecture and Design', 'Platform for Civil Development', 'Economy and Entrepreneurship. Drivers of the Future', 'The Future of Science and Global Development', 'Global Policy and International Security. Challenges of the Future', 'Technology of the Future' and 'Industry 2035'.

held in Moscow – a white dove in a circle as a symbol of peace.

The main pillars of the scientific and educational programme of the nineteenth World Festival of Youth and Students will be 'Projecting the

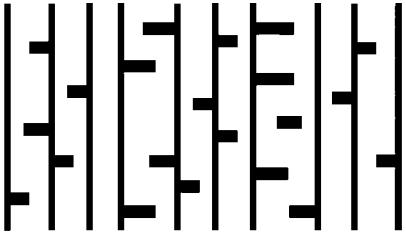
Future: Architecture and Design', 'Platform for Civil Development', 'Economy and Entrepreneurship. Drivers of the Future', 'The Future of Science and Global Development', 'Global Policy and International Security. Challenges of the Future', 'Technology of the Future' and 'Industry 2035'.

Ahmad Alhendawi, the UN Secretary-General's Envoy on Youth, expressed hope that the themes that will be addressed at the WFYS will help to overcome the problems facing humanity: "At a time when there are so many complexities and difficulties in world politics, I expect that people can come together and try to draw a new path forward based on mutual understanding, recognition of one another as well as people's ability to act as peacekeepers and promote socioeconomic development".

'MADE IN RUSSIA' – WHAT WILL THIS UNIVERSAL BRAND GIVE THE ECONOMY

IN THE MODERN WORLD, THE DEVELOPMENT OF INFORMATION TECHNOLOGIES AND THE ACTIVE ROBOTIZATION OF PRODUCTION PROCESSES ARE RESULTING IN A DRAMATIC CHANGE IN THE CULTURE OF WORLD CONSUMPTION. CHEAPER MANUFACTURING PROCESSES AND THE MARGINALIZING OF QUALITY ISSUES DUE TO A DECREASE IN THE AMOUNT OF MANUAL LABOUR ARE LITERALLY FORMING A NEW TYPE OF ECONOMY THAT IS OFTEN REFERRED TO AS THE 'ECONOMY OF BRANDS'.





MADE IN RUSSIA

In the near future, brands will become the key factor for choosing a product as they create an emotional attachment among consumers to certain values, lifestyles, and meanings, while the quality of products will above all depend on software and equipment settings as production becomes more robotized. The active use of 3D printing technologies will also contribute to this. Just recently, Airbus announced its desire to start printing aircraft components, while Boeing is already doing this with satellite production. Nor has this trend gone unnoticed by other industries, such as light industry, construction, food production and many others.

Today, the combination of these trends and the rapid development of information technologies are changing consumption patterns and the ways in which products are promoted as they create new challenges for which we must start preparing right now.

Beyond the emotional discussions of the current results of the import substitution programme, many experts have not noticed a series of events and

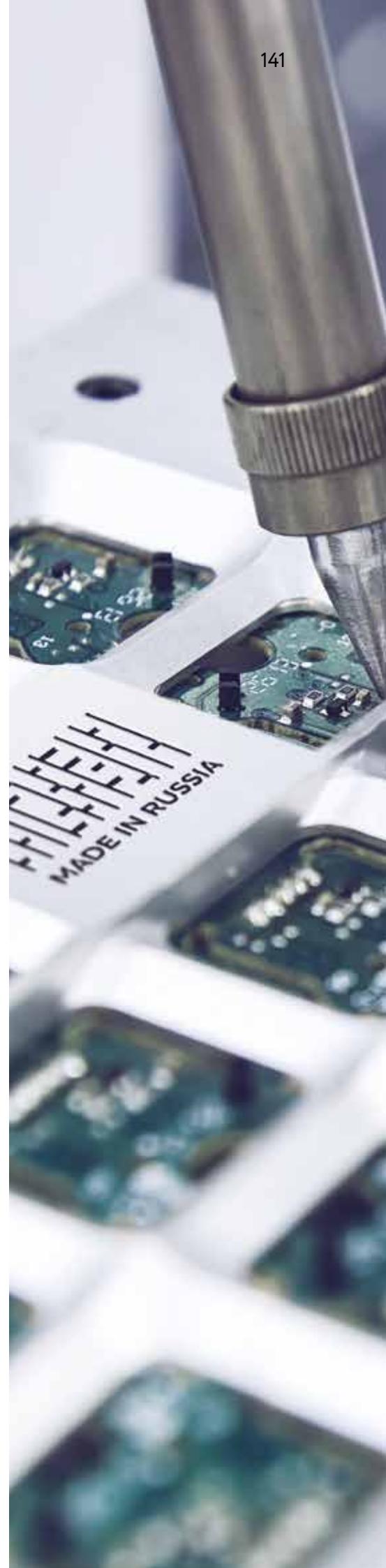
cases that are important for the country. For the first time in many years, thanks to the economic situation as well as the sanctions placed on Russia, domestic manufacturers have been given the opportunity to show off their products to consumers. Over a short period, trends involving the emergence of new Russian brands, the return of Cyrillic names as well as significant investment in marketing, branding, and promotion have taken shape on the market.

Successes certainly lay the proper foundation for generating demand among businesses for a national identity one of which could become the establishment of the 'Made in Russia' national brand. Even though Russia has no previous experience in creating such projects, a late start also provides significant advantages. Today, we have the opportunity to look at the concept and meaning of the brand from the standpoint of modern technologies and trends, making it not only an image but rather a full-fledged tool that solves problems and provides domestic companies with a real result.

One of the key objectives of developing the 'Made in Russia' brand should be the creation of a single information policy for the promotion of the country's manufacturing and human resource capital. There are currently more than enough tools to meet such objectives, however they are not particularly effective due to the absence of a unified centre of competencies and collective interaction between the government and business that could change the

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**TODAY, WE HAVE THE
OPPORTUNITY TO LOOK AT THE
CONCEPT AND MEANING OF THE
BRAND FROM THE STANDPOINT
OF MODERN TECHNOLOGIES AND
TRENDS**



perception of Russia on a global level. In the context of the current geopolitical situation, it is best to do this with soft power in the form of an apolitical agenda that is driven by actual businesses, people, and brands created in Russia.

In this regard, an entirely logical question arises: is there something we can offer? And there is only one answer – yes. Today, a whole layer of small and medium-sized companies has been formed, which for years had remained out of the government's field of vision. Despite all the difficulties, they not only managed to remain on the market, but successfully developed and exported their goods and services abroad. Above all else, all of these companies need to be advertised and shown to potential consumers and partners both in Russia and abroad. They need to be provided with a breeding ground for development, including in the information space while also avoiding any restrictive measures.

There are numerous opinions about which specific companies should be helped, how to choose and evaluate them, and whether to bet

on their quality, level of production localization, or brand awareness. All these opinions are based on the experience of similar programmes and institutions established at different times in Germany, the United States, Australia, China, Japan, and other countries, but they fail to take into account that despite its value this experience was formed for a different generations and conditions.

Amidst global access to information and the development of technologies, an entirely new group of consumers has emerged with which it will be necessary to interact in the coming years. They are used to a fundamentally different format of communication, are well informed, and want to make decisions on their own. This audience above all else needs to be given the opportunity to choose for itself and be shown an alternative while refraining from traditional propaganda.

Taking into account the realities of business in Russia and the globalization of the economy, the 'Made in Russia' national brand should exclude any restrictions



Druzhba, Yantar, and Volna

One of the hallmark cases was the first rebranding in 80 years by the Karat plant, which manufactures the Druzhba, Yantar, and Volna cheeses that are so well-known to every person born in the USSR. In just one year, the company was able to increase its market share from 9% to 10%, while increasing the share of cheese spreads in the sales structure from 7% to 11%. Another example that deserves attention was the rebranding of the Sorvanets brand by the Kommunarka confectionary plant, which tripled sales. These are just two examples among hundreds of others, which demonstrate how important both correct positioning and quality presentation are.

and assessment mechanisms for companies and serve only as a communications tool that does not duplicate functions or competencies, but harmoniously complements them both for business and the government.

In this context, there can only be two objectives for the 'Made in Russia' national brand: the first is to increase the turnover of companies involved in collective promotion, and the second is to increase the brand value and enhance Russia's positions in the international ratings of national brands.

Both objectives are interrelated and their success hinges on large-scale involvement that can be achieved by integrating all sectors of the economy into the concept of the national brand. To achieve the objective of increasing turnover, they will make it possible to form a sufficient information space to attract traffic and subsequently convert this traffic into new partners and consumers while for ratings the condition of each sector is a criterion for assessing the value of the brand.

Despite the abundance of opinions concerning the effectiveness of national brands, it must be remembered that



Foreign analogues

made
in
Germany



made
in USA

MADE IN
ITALY



CREATING THE 'MADE IN RUSSIA' NATIONAL BRAND AS A DRIVER FOR THE DEVELOPMENT OF PRODUCTION AND HUMAN RESOURCE POTENTIAL

modern information technologies allow for imbuing traditional and tested mechanisms with a new meaning. For example, implementing the concept for predictable promotion takes on a whole new perspective with government support. The formation of a primary agenda and subsequent promotion via key speakers online will make it possible to generate larger volumes of traffic without significant cost. Creating a unified traffic network based on state media websites and institutions opens new horizons for attracting traffic and accelerating promotion in search engines without the need for multi-million dollar

costs. Such formats of interaction are vast and allow for assessing the potential of the 'Made in Russia' national brand from a perspective where efficiency can be measured using completely different figures.

Considering the difficult foreign policy agenda as well as the economic challenges within the country, the importance of alternative approaches and taking a fresh look at meeting the objectives that are important for the government will increase given the limited resources and time.

Creating the 'Made in Russia' national brand as a driver for the

development of production and human resource potential, which includes tools that are capable of having a real impact on the country's economic development, including improving efficiency and reducing government expenses on the promotion of economic sectors both within the country and on foreign markets, may not only become one of the new growth points, but the start of the formation of a new image and perception of Russia as a manufacturing power that is capable of competing in the battle for both the modern as well as the future consumer.

Many experts have not noticed a series of events and cases that are important for the country. For the first time in many years, thanks to the economic situation as well as the sanctions placed on Russia, domestic manufacturers have been given the opportunity to show off their products to consumers. Over a short period, trends involving the emergence of new Russian brands, the return of Cyrillic names as well as significant investment in marketing, branding, and promotion have taken shape on the market.



YANG GE: FOR ME, MY COUNTRY IS A COMPLETE MYSTERY!

THE RUSSIAN ACTRESS AND AMBASSADOR OF THE WORLD FESTIVAL OF YOUTH AND STUDENTS SPEAKS ABOUT HOW SHE LEARNED RUSSIAN AND WHAT SHE WILL TEACH THE GUESTS OF THE FESTIVAL



Students by WFYS 2017 Creative Director Ilya Bachurin. I am very proud of this invitation and it's very important to me, above all because the festival is being held here in Russia. I've spent a big chunk of my life here. It so happened that at age 20 I came to Tula and later moved to Moscow. The most important periods of my life have taken place on Russian soil. I spent my university days here and entered Gerasimov Institute of Cinematography (VGIK). This experience and important period in my life gave me an understanding of how valuable communication is between different people, cultures, and countries. Thanks to this high-profile festival that will take place this autumn in Sochi, young people from different countries will have a chance to get acquainted, get to better know their peers from other countries, and perhaps learn something.

All the more so since the festival will bring together young people from 150 countries. I recognize that interaction and the people who surround me have always played a big role for me. The WFYS 2017 will help to unite and rally talented kids who are responsible for the future. It's a wonderful thing when we can be together and become friends. The important thing here is that everyone who comes to attend the WFYS 2017 has different cultures and different upbringings. But culture is precisely what unites people; culture is a universal tool for communication.

YOU RUSSIANS ARE VERY FRIENDLY PEOPLE!

When I first came to Russia, things were very unfamiliar for

me. I had to gradually get used to the culture, the rhythm of life, and the peculiarities of Russian communication. I wouldn't say that it was difficult, but it took time and, of course, effort.

You know what surprised me? You Russians are very friendly people. The Chinese, for example, are very closed, on the contrary. We are unable to smile and interact with strangers. In Russia, everything is different. In Russia everyone is friends!

When I was studying to become an interpreter in Tula, I didn't know Russian at the time, and my teachers didn't speak English or Chinese. It's some sort of miracle that I managed to understand something and learn in such conditions. I studied the language for an entire year. I admit that Russian is an unbelievably difficult language. But I can say that the language barrier is not a problem for communication by any means. After all, communication is a special kind of magic between people. Sure, it's good when we understand each other's language. But there is something more important than language that ensures communication between people. I'll give you an example: when my mother came from China, she attended a play at the Gogol Centre. The play was in Russian. Nevertheless, my mom understood the gist of the performance. Not only that, she even understood who loved whom on the stage. Just like for me, when I was studying at VGIK and I wasn't doing so well, was sad, and needed help, my fellow students came to my aid without

Formerly a student at Tula Pedagogical University, 28-year-old Chinese actress Yang Ge starred in the movie "Flight Crew" alongside famous actor Danila Kozlovsky.

The diminutive Chinese woman with a "Russian soul" recently spoke about the upcoming World Festival of Youth and Students, her life in Russia, and the special magic that blurs the boundaries of communication between people from different countries.

THE WORLD IS ONE BIG FAMILY

I was invited to become an ambassador for the World Festival of Youth and

Future plans

As far as my country, China, for me this country is a mystery. I have spent my entire career in Russia and don't even know how movies are filmed in China. Chinese journalists have now taken an interest in me. They have started writing materials and learning things. Of course, I would like for my country to be proud of me. After all, I really want to help out and share some of my knowledge about cinema, or build relations between our cultures and create more joint projects in which I would certainly like to play a role.

I don't know where I will live in the future. For now, I really like it in Russia, but I don't have any strict boundaries. Would you believe that my friends and the people I hang out with say that I am already Russian! That I have a Russian soul. Perhaps I was Russian in a past life and that's why my entire life will be connected with Russia.



THE WFYS 2017 WILL HELP TO UNITE AND RALLY TALENTED KIDS WHO ARE RESPONSIBLE FOR THE FUTURE

saying a word. So you can always feel everything. It's something akin to a non-verbal game.

In general, when I look back on my university years, I can say that my fellow classmates really helped me out. They revealed a completely different world to me where each

I have a lot of friends who are 22–24 years old, but they have already tried their hands at many things. Sometimes they have done more than some adults. I would like for wise parents and independent-minded students to be able make decisions right away in an instant. Because when people start speculating and weighing things, difficulties appear.

person knew whom he wanted to be, what university to enter, and nobody owed anyone anything. Of course, you can simply love a country. You can love a country and the people that live there. If I didn't like my job and the people I interacted with, I wouldn't be able to live here. I like everything in Russia.

THE RECIPE FOR SUCCESS: THE EARLIER, THE BETTER

I really fell in love with Sochi. I would really like to go to the World Festival of Youth Students myself. After all, it's going to be held in my favourite place. I really like this city, and filmed there a few times. But I don't want to go to the festival just because of my love for the Black Sea resort. Above all, I am interested in interacting with the festival participants and students. Just imagine – this is the new generation that is responsible for the future.

Finally, I would like to give some advice to the young people, students, and everyone else who attends the World Festival of Youth and Students. I only came to understand it myself with time. Guys, the earlier you figure out who you want to be and what you want to do, the better.

Understand that while we are young, we aren't afraid of anything. When we love something to the utmost, we have a lot of power to do something right away. So in order to achieve success in a particular field, you need to start doing the things you love as early as possible.



SUBTLETY AND IMAGINATION

EATING AT A RESTAURANT FREQUENTED BY DOSTOEVSKY? ANYTHING IS POSSIBLE IN ST. PETERSBURG

ST. PETERSBURG IS REFERRED TO AS THE GASTRONOMIC CENTRE OF RUSSIA. AND EVEN THOUGH MOSCOW OCCUPIES THE TOP SPOT IN OFFICIAL RATINGS, MANY GOURMETS STILL PREFER THE ESTABLISHMENTS OF THE NORTHERN CAPITAL.

IRINA BYKOVA

HERE AND ONLY HERE

Simple-looking restaurants on Rubinshteina Street, the cafés Nord and Zinger, Angleterre and Astoria, and the cult establishments of the Ginza Project and the Berezutsky twins are the spots where tourists head for fashionable gastronomic tours and just for fun. Sure, Moscow is the city of glamour and the oil nouveaux rich; it's posh, expensive, and rich. But only in St. Petersburg can you find a whole set of gastronomic and price preferences literally grouped together on one street: from an unbelievably cheap eatery (with a set lunch of homemade quality) to a mind-boggling (even by Moscow prices) molecular cuisine restaurant.

There are purely local specialties as well. For example, each spring food nuts go crazy about the local freshwater fish, smelt, and each restaurant



PACMAN

Address: 2, Konyushennaya Ploshchad

Tel.: +7 (812) 997 7767

Website: www.pacmanspb.ru

Hours: Sun–Thurs: 12:00–01:00; Fri–Sat: 12:00–06:00

Cuisine: European, Pan-Asian, Russian

Menu: Dishes from all around the world – Europe, Japan, and Asia as well as traditional Russian dishes with an interesting presentation. The bar menu includes a variety of creative cocktails.

Interior: Architect Andrey Tsygankov has designed the restaurant in bright and delicate pastel colours with the addition of ultra-modern details and elegant pieces of furniture. Each design element aims to ensure guests have a pleasant visit and awakens a whole extravaganza of sensations.

considers it a must to put out an appropriate menu. Tourists will inevitably ask the locals whether it's true that smelt smells like cucumbers. Perhaps smelt is the reason why the city is experiencing a fish boom, although St. Petersburg is close to the sea, so this is quite understandable.

St. Petersburg is also the capital of Russian vegans, i.e. people whose relationships with food are too intricate according to the "meat-eaters". The very first and most famous cafes without meat or any animal-based products were opened in this city. There are probably still more of them per capita in St. Petersburg than anywhere else in Russia (as well as all kinds of stores and shops that sell these strange products for those who are fundamentally opposed to eating our little brothers). The same goes for other unusual food practices: you won't

find hardly any restaurants in other Russian cities that are entirely dedicated to fashionable diets (like the Dukan Diet, which existed in St. Petersburg).

There are several explanations why St. Petersburg in particular has such a cult of food, cuisine, and restaurants. The city's patriots have the simplest explanation: it is Russia's de facto top city and remains the capital in spite of everything, including the capital of cuisine. Furthermore, St. Petersburg is definitely the main attraction for foreigners, and foreigners generate a finicky demand that must be met. That's why St. Petersburg has numerous hotels, a variety of excursions and, of course, restaurants and cafes. Another explanation is the city's well-preserved historical development. An endless number of old-fashioned apartment buildings with first floors intended for commerce and elegant mansions with fancy entrances – they simply can't remain empty. There are so many of them and they are so different that a variety of tastes is inevitable. Restaurateurs believe that such resources are nowhere close to being exhausted: in 1913, eateries accounted for about a third of all food purchases in St. Petersburg, while now this figure is substantially lower.

Only in the city on the Neva (apart from old European capitals such as Paris or London) will you find restaurants that have maintained their historical name and location since time immemorial. Alexander Pushkin had

a great respect for the 'Literary café' at the corner of Nevsky and the Moika embankment – except during his time it was a confectionery. It is simply impossible to list all the famous visitors to the 'Stray Dog' – it's not just an art cafe, it's a real living history of Russian literature during the "silver age" that can still be seen on Italyanskaya Street. And then there's 'Saigon' – the name remains unofficial, but everyone knows that this establishment is located in the Radisson SAS Royal Hotel on Nevsky Prospect, where you can get all

nostalgic about the Soviet underground and imagine yourself in the company of Brodsky, Dovlatov, and Tsoi.

A constant St. Petersburg trend is bohemianism, and it's not only about theatres and museums. St. Petersburg (including during the days of Leningrad) has always been distinguished by a special style. The cultural capital and so on and so forth. People love gilding and stucco in the restaurants here, too, however unlike Moscow they experiment with them more boldly. And they have even more respect for

'patina' and the shabbiness that covers historic beauty. Or savvy well-measured neglect. Minimalism is always fashionable. Or a highly avant-garde mix that is achieved not by investing in expensive designers, but by an innate sense of St. Petersburg style.

If you're not scared off by the local or your own snobbery, if you are on a diet or want to try something completely unusual, if you are looking for beautiful interiors or panoramic views, or if you don't even know what you want – this city has everything for you. Or almost everything.

FROM PETER

We don't know for certain what and how people ate when they built St. Petersburg, but we can easily imagine without historical sources. The famous Petrine assemblies started back during the construction days and the people in attendance had to be fed, of course, but everything was very simple, almost tasteless, as the foreigners grumbled.

The history of St. Petersburg's "eateries" dates back to roughly the 1720s when construction had been completed and life had begun. Almost immediately, people started setting up types of establishments in St. Petersburg that had never existed in old Moscow. This is because they came from the West. But they came to rest on Russian soil.

Let's start with taverns, which in St. Petersburg were initially called 'herbergs' (from the



BUDDHA-BAR ST. PETERSBURG

Address: 78, Sinopskaya Naberezhnaya

Tel.: +7 (812) 318 0707

Website: www.buddha-bar.ru

Hours: Sun–Thurs: 12:00–00:00; Fri–Sat: 12:00–05:00

Cuisine: Pan-Asian

Menu: Brings together the culinary traditions of Vietnam, Singapore, India, and Thailand. The menu features the legendary Buddha-Bar salad, baked cod with yuzu-miso sauce, Angus beef fillet, lamb rib roast in South Korean style, and much more.

Interior: Upholstered furniture in an oriental style, vintage vases, historical architectural details, a mosaic, French gold fabrics, and lacquered wood. One of the restaurant's main decorations is a three-metre Buddha statue made in Indonesia and a 25-metre bar – the longest in the chain of Buddha-Bar restaurants.

German word ‘inn’) and which were different from taverns in Moscow and any other city in the empire. They started opening in 1724 as Peter ordered the establishment of 15 taverns in the city. They were unique in the sense that people ate on the first floor and slept on the second floor, sort of like a hotel. The courtyard also contained barns with hay and ‘parking areas’ for horses as well as huts where the ‘drivers’ slept. In the 18th century, some of the taverns were what we usually imagine as the ‘rough Middle Ages’ – a lot of drinking, a lot of noise, so-so food, but everything in abundance. But other taverns were already close to what we think of as a ‘restaurant’. How taverns turned into restaurants will be described below, but for now let’s wrap up our story about taverns.

In the 19th century, the barbarity passed and a tavern became the same as a restaurant, except with a slightly lower status. The Regulation on Tavern Establishments (1861) classified taverns as “a place open to the public in which either special rooms with a table were rented or food and beverages were sold”. Taverns included restaurants, eateries, dughans, French shops and wine cellars, canteens as well as



TSE FUNG

Address: 13, Rubensheina Street

Tel: +7 (921) 932 3333

Website: www.tsefung.ru

Hours: daily from 12:00–00:00

Cuisine: Chinese

Menu: Classic Peking duck, more than 15 types of dim sums from the finest dough, woks, crispy spring rolls, and much more.

Interior: Designed by the American design bureau Tihany, which has created a number of iconic luxury projects. The interior of Tse Fung is designed in gold, purple, and black tones.

kuchmisterskiye, theatre buffets, hotels, inns, and other establishments. At the end of the 19th century, 320 innkeepers in St. Petersburg maintained 644 taverns that employed some 11,000 people. There were three types of taverns: “clean” taverns and second-class restaurants, taverns consisting of

“clean” and “dark” (with simple furniture) sides, and lower-class taverns (in basements and less frequently on first floors). Waiters handled housekeeping in the taverns. The cuisine was exclusively Russian, tea was served in tea kettles, and sugar in chunks on a plate. Smoking pipes with removable mouthpieces

from goose feathers were also offered.

Another type of establishment that claims to be a ‘grandfather’ of the St. Petersburg restaurant also came from the West and can only be found in the northern capital – kuchmisterskiye (from the German word Kuchenmeister, or cook). They did not yet exist in the 18th century, but Pushkin could already envision them in the early 19th century: they “satisfied the dinner needs among lower class officials and other inadequate persons”. We already pointed out that the historical buildings of St. Petersburg – many of them in any case – were already planned with restaurants on the first floor. They were located on the first floors or in basements and were quite compact, occupying up to five rooms. Among other things, there were used for family dinners and weddings, while drinking was not welcomed.

It was the same with another form of ‘public eatery’ – confectioneries – which quickly spread throughout the empire, and came to Russia through St. Petersburg. Confectioneries, as we already pointed out, garnered special respect from Pushkin. They replaced ‘candy shops’ where candy sweets were sold for takeaway. They served coffee, chocolate, ice cream, and fruit. Griboyedov, Zhukovsky, and Turgenev all loved the confectionaries. The Wolff and Beranger confectionery was known for a variety of sweets made in the form of human figures, famous



**IF YOU DON’T EVEN KNOW WHAT
YOU WANT – THIS CITY HAS
EVERYTHING FOR YOU**

houses, and portraits of famous persons.

As for actual restaurants? Of course, they existed under Elizabeth and Catherine, but they differed from their European counterparts and were not called restaurants (they were mainly taverns). Restaurants started popping up as a special type of establishment at a faster pace following the decree of 1770, which divided taverns into classes. Stratification took place right away as high-class taverns started striving to become "cleaner" and more luxurious, while the ones a class below threw in the towel and focused on the common public.

Restaurants in the full sense of the word only came to St. Petersburg in 1805. The Hotel du Nord was a rather decent establishment that underwent rebranding in 1805 and started being called a restaurant.

St. Petersburgers called restaurants "restaurasons" or "restauratsis". Later a so-called table d'hôte appeared in restaurants – a general table that was laid out at certain time known to regulars and created a friendly dinner atmosphere. The owners of the most popular St. Petersburg restaurants were mainly French initially. Visitors were served by lackeys in frock coats.

In 1839, restaurateur R. Legrand was the first in St. Petersburg to employ Tatars; after this, Tatar waiters served guests in the city's most fashionable restaurants (such as Grand Hotel Europe). At



STROGANOFF STEAK HOUSE

Address: 4, Konnogvardeysky Boulevard

Tel.: +7 (812) 314 5514,
+7 (931) 314 5538

Website: www.stroganoffsteakhouse.ru

Hours: Mon–Fri: 08:00–00:00; Sat–Sun: 10:00–00:00

Cuisine: American, Russian

Menu: Includes almost all 'meat classics' from tartars and burgers to steaks from the best cuts of marbled beef.

Interior: Both elegant and democratic with the use of natural materials such as wood and leather to create an atmosphere of warmth and hospitality in the restaurant.

restaurants, unlike at other establishments, live music was played. Up to 1861, women were not allowed in restaurants. Starting in the 1850s, restaurants were opened on the premises of entertainment establishments. For the first time in St. Petersburg, in 1915, an all-you-can-eat smorgasbord buffet was arranged at Tourist Restaurant on Nevsky Prospect.

CUISINE AS A TOURIST DESTINATION

Soviet times wiped out regional features and also turned St. Petersburg cuisine into a 'pan-Soviet' version. On the contrary,

however, new times require "specialties" so that when tourists come to the city, they know that they will encounter something that they can't find anywhere else. So, in an effort to develop tourism, the authorities have to think about developing the restaurant business.

For some time now, the St. Petersburg government has been reviving St. Petersburg cuisine as a brand, calling this the 'St. Petersburg cuisine' project. This is handled by the Committee for the Development of Entrepreneurship and the Consumer Market. Officials' activities

are based on annual competitions, above all the 'Golden Culina' and 'Best in the Profession in St. Petersburg Trade and Services'. In particular, the 'Gold Culina' competition is held among cooks, confectioners, waiters as well as students of institutions of higher and secondary vocational education. Over 200 participants compete for the title 'Best in the Profession in St. Petersburg Trade and Services', and all the competition tasks are prepared based on the theme 'St. Petersburg style'. In addition, priority is given to regional products among the foods used for the competition among cooks.

The most interesting thing is to read what regular citizens of the city write on the committee's website. They post their recipes and food-related stories. Here are a few of them:

Kira Iosifovna: "My family's favourite dish is 'pancakes with brains'. The recipe was handed down to me by my grandmother. Fry pancakes and stuff them with minced meat: diced brains together with onion, and fry it for 10 minutes. Add salt and pepper for taste. Fill the pancakes with sour cream and bake them in the oven".

Alexander: "'Pie with a Prayer' – this recipe dates back to the 18th century and my family has passed it down from generation to generation since this time. Filling consisting of butter beat with flour and sugar is laid out in regular yeast dough and baked in the oven. Proportions are based on taste. My mother cooked

pie for each holiday using this recipe, and there was not a single bit left. There is a crispy crust on top, a soft sweet layer in the middle, and fluffy dough at the bottom".

And, finally, another recipe from Alexandra Silkina: "Charlotte" from my grandmother. You need: 4-5 apples (preferably green and sour), 3-4 eggs, 1 glass of sugar, 1 cup of flour, a little ground cinnamon, and a tablespoon of lemon juice. Separate the whites from the yolk, add some sugar to the whites, and mix it until you get a thick foam. Then gently insert flour and yolk. Pour the entire mixture into a pre-cooked form. Shape with butter, sprinkle with semolina, arrange the apples randomly, sprinkle with cinnamon to taste, and sprinkle with lemon juice. Bake for about 30 minutes at a temperature of 170-180 degrees".

More local, authentic recipes can be viewed on the website of the Committee for the Development of Entrepreneurship and the Consumer Market. I'm sure you would agree that it's an unusual place to replenish the supply of knowledge about cooking! And be sure to appreciate the depth of historical memory with families keeping recipes dating back to the 18th century. Such a resource



IL LAGO DEI CIGNI

Address: 21, Krestovsky Prospekt (Northern road)

Tel.: + 7 (812) 602 0707

Website: www.llago.ru

Hours: daily 12:00–00:00

Cuisine: Italian

Menu: Dishes based on original recipes from fresh farm products: noodles with a truffle flavour dressed in a block of cheese, fresh artichokes fried with mint and garlic, lamb chops with sage, and much more.

Interior: Made from natural materials and various types of wood. A panoramic view of Swan Pond and a chandelier made from hundreds of snow-white crystals of selenite are able to amaze even the most sophisticated connoisseurs with their beauty. An outdoor patio is open when the weather is warm.

probably does not exist in other cities.

LOOKING ON AS THEY'RE EATEN

The fauna of St. Petersburg and the Leningrad Region does not seem like it would differ much from the rest of Eastern Europe, yet nevertheless there is definitely something

distinctly local here. We already wrote about the small fish that is best prepared in St. Petersburg. But there is also Gatchina trout in the local waters. At one time, its connoisseurs included fabulist Ivan Krylov, writer and critic Ivan Panayev, the famous literary hero Ilya Oblomov, as well as

most of the regulars at the best restaurants of St. Petersburg in the 19th century, according to local historian Alexander Belokhvostikov.

The famous Russian zoologist, populariser, and hunting and fishing organizer Leonid Sabaneyev wrote the following about Gatchina trout: "Light, almost completely silver, with a light brown back and a white, slightly yellowish belly. The meat from these trout is almost completely white, only the big ones are slightly pink". It was extremely expensive even under the tsars, when food was cheap generally speaking. People could ask up to 1.2 roubles for one fish ('portioned' at 350 g), which was highly popular. Then with this money they could buy 1.2 kg of sturgeon, 3 litres of sour cream, 4 kg of pork, or 40 kg of potato, Belokhvostikov points out.

Trout from Izhora River is a fish that originates from the sea, a species of the Baltic trout. Here is how Elena Molokhovets, a classic of culinary literature and the author of the culinary encyclopaedia "A Gift to Young Housewives, or How to Reduce Household Expenses" describes it: "The Neva trout, called truite samonée by the French, is more delicious than all other types of trout. It has a small head, a thick body, a pink and red colour, and is very tender. It should be speared 10 minutes prior to use. Fishermen call it 'tameshka'".

Members of the Romanov Dynasty were

»

**RESTAURANTS IN THE FULL SENSE
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admirers of Gatchina trout for centuries, Belokhvostikov says. They were served at official receptions, including the last coronation of the emperor and his wife in the Russian Empire (attached is the coronation menu designed by artist Viktor Vasnetsov), and on royal picnics and in everyday life.

TOP 5 DISHES FROM THE BANKS OF THE NEVA

Journalist Maria Sokolova at one time asked the question about which dishes in St. Petersburg are the absolute best according to the residents themselves. She interviewed a number of people. And here's what she found out.

St. Petersburg rassolnik came in first. Rassolnik is a sour salted soup made from cucumbers that could be found in the 19th century on the menu of any Russian tavern. It maintains an honourable place in the list of first courses to this day. Whereas the 'Moscow rassolnik' usually features beef kidneys, pearl barley is added to the St. Petersburg version.

In second place is Petrograd salad. History is silent on whether the salad was prepared in Petrograd. After all, the city was called Petrograd during a difficult time, during World War I, and at the beginning of revolutionary events. Not many people could get poultry meat, mushrooms, or cheese during those difficult years. Nevertheless, chefs gave the name of Petrograd to the chicken fillet salad. You can try it at any local restaurant, but it's better to order it at a high-level establishment. It's not



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a complicated dish, but it's also easy to spoil.

Stroganoff-style meat came in third in the conventional rating. Count Alexander Stroganoff, the head of the Ministry of Internal Affairs and in 1854 the military governor of St. Petersburg, is credited with concocting the dish. According to one version, as an old man the count had teeth problems, and so his cook cut thinly sliced pieces of meat, fried them, and poured a hot sour cream sauce over them so that they would be easy to eat.

In fourth place is smelt, which we already mentioned. Smelt has become the unofficial culinary brand of St. Petersburg. In May, restaurant menus start offering seasonal dishes with this fish, which has an unusual smell of cucumbers.

The list concludes with the Leningrad crumpet, which foreigners call a donut if they see in the flesh. But there are nuances. What other cities call a donut, St. Petersburgers call a crumpet. Fluffy, delicious, high-calorie, and inexpensive, crumpets can be described as a true type of St. Petersburg fast food. One of the city's oldest crumpet shops (on Bolshaya Konyushennaya) has existed since 1958. To buy a few filling rings sprinkled with powdered sugar, you often need to wait in a long queue, which is often filled with patient foreign tourists.

Materials from the Encyclopaedia of St. Petersburg, the websites aif.ru and restoclub.ru, and the St. Petersburg Cuisine project

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1. Etazh 41	15%
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8. Arka	15%
9. RIBEYE	Complimentary offering
10. BEGEMOTH IS BACK	Complimentary offering
11. UNA Restaurant	10%
12. Tse Fung	Complimentary offering
13. Buddha-bar	10%
14. IL Lago dei Cigni	Complimentary offering
15. Pacman	20%
16. Hitch	10%
17. Shatush	20%
18. Stroganoff Steak House	10%

ST. PETERSBURG: ANOTHER HISTORY

ON THE SITE OF ST. PETERSBURG, THERE EXISTED THE THIRD LARGEST CITY OF THE KINGDOM OF SWEDEN.

KONSTANTIN SMIRNOV

journalist

HOW IVAN THE TERRIBLE CUT A VENT INTO EUROPE

Many still believe that Peter the Great built his capital on the desert banks of the Neva. No wonder, with all those rivers, lakes, and marshy swamps all around. The climate was humid and cold. Tens of thousands of serfs who were forced to work on the construction did not live to see it over. Then, there was also an annual flood, when strong winds carried the water of the Gulf of Finland into the Neva. Every hundred years, as it was noted

long ago, the pressure of water from the sea turns disastrous. Peter himself was faced with the riot of nature in November 1724, and he did not survive it. The Emperor caught cold during a rescue operation and soon died.

Who would agree to stay here of their own volition? Except for a few dozen of fishermen from Finnish tribes. But this was how things looked at first glance. In the Neva delta, there were also quite safe places where the great water never reached. First and foremost, along the Okhta River.

It was no accident that, in 1300, the Swedes, with the help of Italian master builders, built the fortress of Landskrona (Earth's Crown) precisely at the confluence of the Okhta and Neva Rivers. However, they did not last long, a year later, one of Alexander Nevsky's sons, Andrew of Gorodets captured the fortress, and the land

along the Okhta River was annexed to Novgorod the Great.

In subsequent two hundred years, no factual evidence of economic activity at the mouth of Okhta can be traced in the sources. They did not write much in those days.

Nevertheless, a Scribe Book of 1500 contains a record of three Russian villages and one rural community in the Okhta area. The inhabitants engaged in navigation and trade. 189 households were listed.

It took off from this point onwards. Ivan the Terrible decided to defeat the Livonian Order. He succeeded. Though then everything became more complicated – Russia was attacked by the Polish–Lithuanian Commonwealth and Sweden. The fighting dragged on.

However, the point is that the Moscow Tsar's envoy Ivan Vyrodov built a port and fortress called



Gorodok (Town) of Neva Estuary at the confluence of the Neva and Okhta Rivers.

Thirty years later, documents indicated the existence of a pier, an Orthodox church, and, most importantly, a guest house, which would not have been built without a good reason. Hence, trade people were regular in the Neva estuary. And, clearly, they did not come alone. At the end of the 16th century, up to a hundred vessels from different countries moored in city every year.

This was not accidental. The Neva and its delta served as the starting point of the trade route known since the 9th century as the Route from the Varangians to the Greeks.

Be that as it may, peace did not last long. In 1611, Sweden seized these lands, seizing the Time of Troubles, which left Russia weak for a long time, as an occasion.

Another Nevsky Prospekt

This year St. Petersburg turns 314 years. As you know, the count starts from the May 1703 decree of Peter the Great ordering the construction of a new capital on the banks of the Neva River. The first stones were laid on the Hare Island, located closest to the Gulf of Finland. However, literally on the eve of the historic decision, the Tsar held a military council, at which the prospects of building a capital city at the place where the Okhta River flowed into the Neva were Another Nevsky discussed. There was already a city on the site – Swedish Nyen and the fortress of Nyenschantz, the garrison of which capitulated on May 1, 1703. Nyen's advantage was that its location was inaccessible to floods. Peter judged it was far too removed from the seashore. This is how St. Petersburg emerged on the Neva banks proper. While, in the mouth of the Okhta, a settlement was established that was later incorporated into the city. Yet, everything could have turned out differently – and Nevsky Prospekt may have led to the Okhta River.

HOW CHARLES IX OF SWEDEN OPENED THE DOOR TO SWEDEN

To begin with, in 1611, Charles IX ordered the construction of a fortress on the place of the Landskrona, which later became known as Nyenschantz or the Neva Fortress in the German transcription. On the site of the Russian settlement of the Nevsky estuary, the Swedish city of Nyen (Nevsky) was built. It was located on the right bank of the Okhta opposite Nyenschantz. In 1632, the city was granted the status of a free city. Then, within ten years, Nyen received from the Swedish crown all the privileges of a free trading city. Thus, the residents received personal freedom, where they might have been serfs before. Tax exemptions followed. Finally, non-townspeople were barred from engaging in crafts at a distance of four versts without the city.

After the war with Russia in 1656–1661, Russian residents were driven home, and the Orthodox church was destroyed. Apparently, the Swedes could not forgive the fact that, during the fighting, Nyenschantz was captured by boyar Peter Potemkin, the ancestor of Catherine the Great's famous favourite, His Most Serene Highness, Prince Grigory Potemkin.

Nyen became depopulated. Swedes and Finns had to be brought in. Germans arrived on their own. However, some of the Russians remained as evidenced by the data of local censuses.

In any case, by the end of the 17th century, the city on the Okhta River prospered. According to the descriptions of contemporaries, Nyen was built up with rich manors. In the centre, there was a spacious town hall square, which was surrounded not only by private houses, but also had the Town Hall with clocks, two Lutheran churches, and a school. The population

was more than 2,000, which was a fairly high number for Sweden at the time. Naturally, as in other Swedish cities, self-government was introduced in Nyen, which was enforced by the magistrate and three burgomasters.

Residents made a living mainly from trade between Russia, Sweden, as well as with Northern German cities and even England. Then, there were also artisans, and, most importantly, navigators. In general, the city's economy at the time was considered quite effective and successfully competed with other Swedish cities. At some point, the government in Stockholm even decided to rebuild Nyen by laying out five radial streets. The Swedes could build their own St. Petersburg, but they had no time, as the Northern War broke out.

AND PETER THE GREAT CAME ALONG

Swedish Nyen got the raw end of the stick. The fortress of Nyenschantz, which was supposed to protect the city, did in fact bring misfortune on it. Expecting a siege by the Russian troops, the Swedish command evacuated the local population and destroyed most of the city, so that the besiegers had nowhere to hide. None of it helped, and, on May 1, 1703, the Swedish garrison of 600 surrendered to Peter's troops. Simultaneously, two enemy frigates sent to assist the besieged were captured.

The Russian Tsar carefully inspected the fortress and the city. He had to decide where to build the new capital of his empire. Moreover, the mouths of Okhta were not subject to flooding. So there was a chance that the construction of St. Petersburg could have started from the place where the Okhta flows into the Neva and the Northern Capital would have another centre. It never materialised. Peter I did not



like that the Okhta was located a long way from the Gulf of Finland, and the construction of the new city kicked off on the Hare Island, which is the Peter and Paul Fortress now. In fact, Peter underestimated the danger of flood.

The city on the Okhta could be consigned to oblivion. However, Peter needed skilled carpenters, woodworkers, and turners for the construction of his fleet. As many as he could get. They were settled along the Okhta. In 1720–1723, the Emperor issued a number of decrees on the establishment of Quarter of Okhta. First of all, he ordered the speedy construction of 500 huts “with porches” and vegetable gardens. Using them to accommodate merchants or seafarers was not part of Peter’s plans, though. For several years, several hundred families of future shipbuilders from all over Russia were settled there.

Their legal status turned out quite ambiguous. On the one hand, the authorities granted Okhta craftsmen quite a few benefits and privileges. They did not have to pay taxes and dues and received free housing and vegetable gardens. They were even paid 3 roubles 50 kopecks a month for work at the shipyards, which was a decent pay at Peter’s times – so much so that one could buy three cows and even a few poods of flour to boot. Moreover, after working off their duty at the shipyard, Okhta craftsmen were allowed to “moonlight” in the city. Capital city customers were generous, as they admired the skill of the cabinet-makers in particular.

However, on the other hand, Okhta people were forbidden to leave the city and return to their home grounds. Just

like actual serfs. However, no complaints and petitions from Okhta residents seem to have been recorded. Unlike the capital itself, the Quarter did not grow very much with new labour arrivals. During the entire 18th century, only some 2,500 people lived in Okhta.

There is an opinion that, by and large, the Russians are not very enterprising. They tend to be more reliant on the government. This is why free market still does not function in this country.

In Okhta Quarter in the 18th century local artisans immediately brought their little cudsters with them. Russian man would not survive without fresh milk. However, after they started getting decent money from the treasury, they were clever enough not to spend the money on drink, but instead invested it in the purchase of Dutch and Holstein cows, which gave much more milk than local cows. In addition, Okhta had lush pastures. The milk poured in

St. Petersburg. Okhta milkmaids quickly became a kind of visiting card of the new capital and even made their way into the “Encyclopaedia of Russian life”.

In Eugene Onegin, Alexander Pushkin described a St. Petersburg winter morning in these words:

The merchant and the beggar rise,
To his stand the cabman drives,
The milkmaids from Ochta go
Crunching over morning snow.

A model of successful female entrepreneurship captivated men too. Over time, workmen tended to discard their axes for abacuses and weights and, after accumulating enough money, could expect to make it into the ranks of bourgeoisie or even merchants.

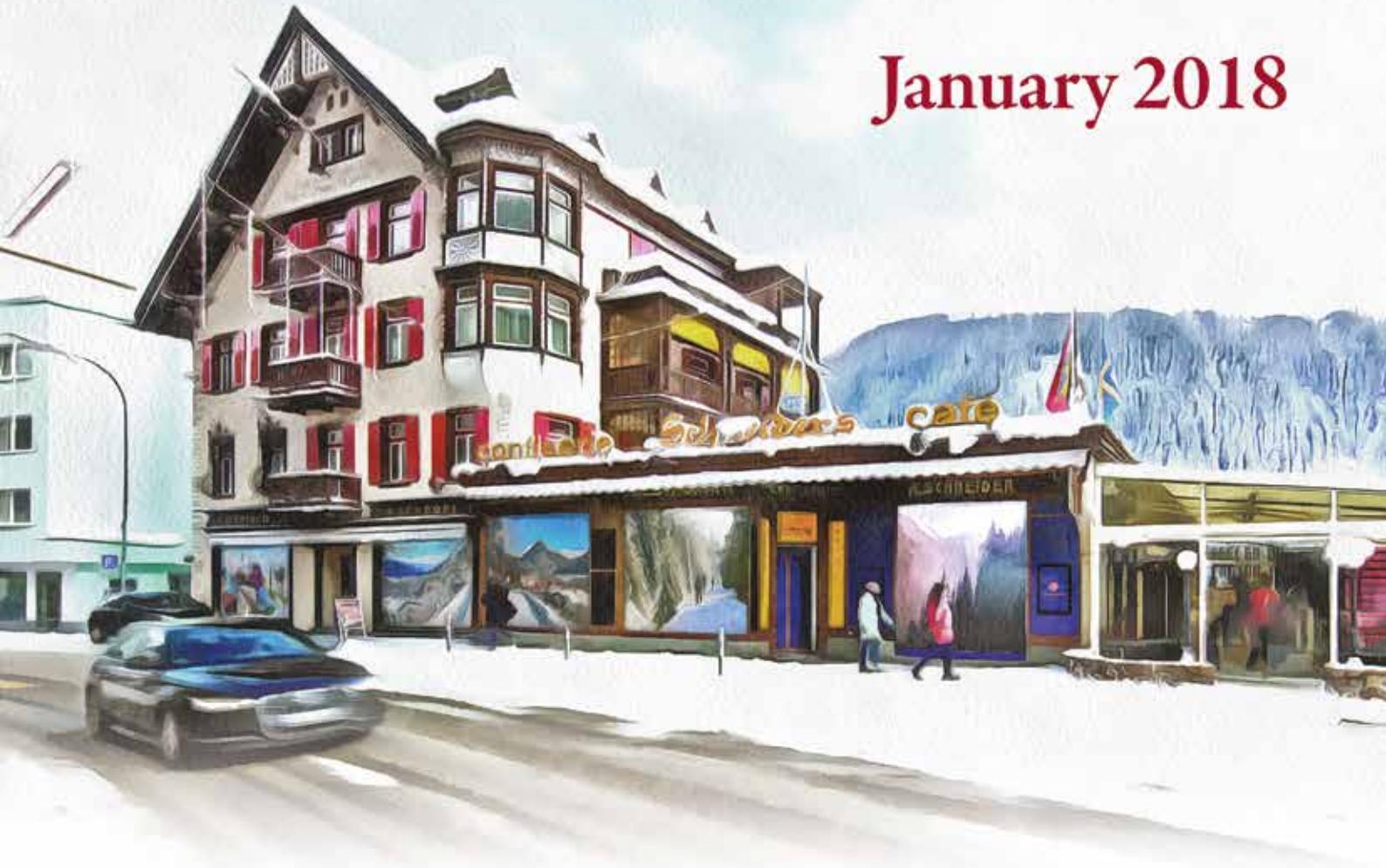
As a result, when the Maritime Ministry decided to establish a shipyard in Okhta Quarter in 1801, it turned out that the necessary craftsmen were no longer there. It was necessary to impose an annual financial quitrent of 30 roubles on all local residents to use revenues to hire civilian carpenters. Nevertheless, the shipyard (Okhta Admiralty) was successfully built. Up to the middle of the 19th century, almost a hundred warships were launched there.

Other industries, for example, woollen business, started developing in the Quarter as well. Therefore, when Okhta Quarter was officially incorporated into St. Petersburg at the end of the year before last, it was already a developed factory district. It is not for nothing that now it bears the name of Krasnogvardeysky (Red Guard) District.

But this is a completely different story.



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“HELP WITHOUT A TOUCH”: HOW SMART POSTERS CAN HELP CHILDREN



“HELP WITHOUT A TOUCH” IS A CHARITY PROJECT ON THE FRINGES OF THE ST. PETERSBURG INTERNATIONAL FORUM. IT IS RUN BY THE B.E.L.A. BUTTERFLY CHILDREN FOUNDATION WITH THE SUPPORT OF TECHNOLOGICAL PARTNER MASTERCARD AND CITYBANK. DURING SPIEF, THE PROJECT WILL ALSO GET HELP FROM ROSCONGRESS.

In conjunction with its partners, the B.E.L.A. Butterfly Children Charity Foundation has developed unique posters with a built-in reader for contactless payments. Those who wish to donate to treatment of children with rare genetic conditions can do so by putting their contact-less bank card or any other payment device (such as a smartphone) to the poster for 100 roubles to be instantly transferred to the Foundation’s account. Such posters will be placed on the grounds of the St. Petersburg International Economic Forum so that every SPIEF guest might make a donation in aid of children. Taking part in creating these posters was Photographer Dmitry Ageyev, winner of the international Hasselblad Masters Award 2014 in the Portrait category.

The B.E.L.A. Butterfly Children Charity Foundation provides multifaceted systematic assistance to children suffering from a rare skin disease called bullous epidermolysis (BE). The children’s skin becomes so sensitive that touching it causes pain. No complete cure for BE has yet been found.

“We believe that such smart posters will soon appear in many Russian cities. Butterfly children are born all over the country. Now you can help them easily and quickly. The transfer takes 10 seconds”, says Ksenia Rappoport, People’s Artist of Russia and trustee of the B.E.L.A. Butterfly Children Charity Foundation.

“We are glad to take part in this unique project and help the kids. We often have no time to do something on which a human life might depend, and modern payment technologies and innovations make payments easy, simple and safe. When money is raised in this way, the very method of payment – contactless – sends a signal about the particular plight of those who need help”, says Alexei Malinovsky, head of Mastercard in Russia, Kazakhstan, Belarus and Armenia.

All the money transferred via “Help without a Touch” smart posters goes to help the charges of the B.E.L.A. Butterfly Children Charity Fondation www.deti-bela.ru.

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