

# Investors to Gauge Climate at Forum

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A teen riding past billboards for the St. Petersburg forum, where investors hope to receive a signal that the political scene will remain stable after 2012. **Yelena Kuzmina**

When corporate leaders from around the globe gather in St. Petersburg on Thursday for the International Economic Forum, they will be treated to a picture of the country as modern and investor-friendly.

Special features this year include morning yoga, a business regatta and an open-air performance from British pop legend Sting on the city's Dvortsovaya Ploshchad on Thursday evening, according to the forum's cultural program.

Yoga might be welcome by participants eager to understand what is being said between the lines.

The Indian meditation practice aimed at achieving spiritual tranquility is reportedly a favorite pastime of President Dmitry Medvedev, who will attend the forum Friday and Saturday.

It is Medvedev's political future that vexes investors as political uncertainty mounts in the run-up to December's State Duma elections and the question over whether his "tandem" with Prime Minister Vladimir Putin will continue after the March 2011 presidential vote.

Putin is not expected to attend the forum.

But analysts warned of heightened expectations. "These sort of events are not meant to bring political breakthroughs. But they are very important for investors to assure themselves that the climate is right," said Natalya Orlova, chief economist at Alfa Bank.

Thus, participants will direct attention to any subtle hints from Medvedev and other officials.

"We expect a signal for political stability from this forum," Frank Schauff, CEO of the Association for European Businesses, said Wednesday.

Medvedev will address the plenary session Friday, followed by a speech from his Chinese counterpart, Hu Jintao.

Expectations are running high that he and Hu will sign a landmark energy deal at the forum in which Gazprom would supply natural gas to China.

The forum's other political heavyweights include Finnish President Tarja Halonen and Spanish Prime Minister Jose Luis Rodriguez Zapatero, who together with Medvedev will head a panel Saturday on how to avoid future crises.

Another topic that investors will study to gauge Russia's direction is its bid to join the World Trade Organization. Although the issue only appears on the agenda of a U.S.-Russia business round table Thursday, it is expected to pop up regularly at the three-day forum's host of round tables and workshops, not to mention the long list of industry breakfasts, business lunches and dinner receptions.

Schauff said he would be looking for new, clearer signals on WTO membership, especially after last week's EU-Russia summit failed to produce any clear results.

Leaders at the summit in Nizhny Novgorod agreed to lift Moscow's ban on European vegetables, which the EU had criticized as a breach of WTO rules, but they did not make much progress on the membership question, which has been on and off the table for nearly two decades. Medvedev said only that he hoped to achieve membership by December.

"The WTO is really important as a sign of openness toward the rest of the world," Schauff said.

Russia is the world's biggest economy that is still outside the free-trade organization.

Among other topics on the forum's agenda are plans to make Moscow a global financial hub. Mayor Sergei Sobyenin, who will make his first appearance at the summit since his appointment last fall, will participate in a Friday panel devoted to challenges for global cities, along with former Chicago Mayor Richard Daley and Delhi's chief minister, Sheila Dikshit.

Returning for a second year to the agenda are the government's plans to kick-start

the tourism industry in the troubled North Caucasus, which will be promoted by Alexander Khloponin, Medvedev's envoy to the region.

A somewhat unusual person on the program is rock music critic and outspoken public activist Artemy Troitsky, who is slated to lead a discussion Friday on the unlikely question of when a new Beatles will emerge.

Troitsky is currently fighting four libel suits over his public statements, including one from former Kremlin aide Vladimir Kiselyov.

His supporters, who include rock legend Yury Shevchuk, environmental activist Yevgenia Chirikova and opposition leader Boris Nemtsov, say he is being pressured by the authorities.

Opposition figures have not previously been invited into the sprawling grounds of LenExpo on St. Petersburg's waterfront, where the forum is held, and any attempts to stage public protests during the forum have usually been quickly thwarted by police.

But this year, activists are planning no street protests, instead opting for an "anti-forum" Saturday in a downtown hotel. The event should unmask the current economic policy as untenable, Eduard Limonov, leader of The Other Russia movement, told Interfax.

Political scientist Stanislav Belkovsky, who is planning to speak at the anti-forum event in Pulkovskaya Hotel, told The Moscow Times that participants want to draw attention to their belief that the government's policy is leading to a dangerous deindustrialization of the economy.

"All this talk of nanotechnology and IT envisions a post-industrial economy that cannot employ enough people," he said.

Neither forum will see Bill Browder, the Hermitage Capital CEO who has been banned from entering the country since 2005 and is now wanted in Moscow in connection with a fraud case that he says is fabricated.

Browder lambasted the St. Petersburg International Economic Forum as "one big Potemkin village" at which the government is putting a glossy facade on a "disastrous investment climate."

"All objective measures ... show that property rights are nonexistent, corruption is off the charts, and Russian businessmen are trying to take their money out faster than anyone else can put it back in," Browder said in e-mailed comments.

Yet prickly issues like red tape, rule of law and corruption are likely to be on the minds of the participants.

The Economic Development Ministry, whose head Elvira Nabiullina will officially open the forum Friday, even gave a head-start on the corruption discussion when it said Tuesday that Russians paid at least \$5.9 billion in bribes last year in "everyday" situations, almost double the level of 10 years ago.

Medvedev has made the fight against corruption a hallmark of his presidency.

Schauff said that while the situation was far from satisfactory, the president should at least be credited for promoting public debate about the problem.

"Changing public attitude will take a long time," he said.

The government can boast of at least one token achievement, which it might show off to foreign investors. In a May 30 decree published on the government's web site, Prime Minister Vladimir Putin ordered changes of the regulations for the customs union with Belarus and Kazakhstan that should end the massive tariffs that have been slapped on expatriates' household goods since last July.

The new regulation says that if foreigners moving to Russia have work permits, they can bring as many things as they like as long as the items are for personal use, said Vladimir Kobzev, chief lawyer at the Russo-German Chamber of Commerce.

The tariffs regularly resulted in customs bills amounting to tens of thousands of dollars and were identified by foreign businesses as another serious barrier to Russia attracting investment.

It is unclear, however, when the new rules will become effective. Kobzev, whose chamber has been crucial in lobbying for the new rules, said the change should be expected soon.

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