

Medvedev Sees Reform Success

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Medvedev meeting with court representatives Tuesday to discuss how courts can better the investment climate. **Mikhail Klimentyev**

The investment climate in Russia is changing for the better, President Dmitry Medvedev said at a meeting with state court justices Tuesday.

"It's true I said it's not very good, but that climate is changing," Medvedev said, according to the Kremlin web site.

The Tuesday meeting was the first time the president discussed directly with judges the role of courts in making the investment environment better. Improvements discussed include developing pretrial procedures, the creation of a financial arbitration and patent court, and a more functional court system in general.

The announcement comes four months after Medvedev said at a conference in Magnitogorsk that the investment climate has gotten worse in the last year and needed to be improved. At that meeting he identified 10 areas, including some of the issues discussed Tuesday.

The meeting is the latest attempt in Medvedev's campaign to strengthen rule of law in Russia. Earlier this year the first ever international legal summit in Russia was held in St. Petersburg, where Medvedev and government officials discussed how to improve the country's legal system with global law leaders.

Although the cases of jailed former Yukos owner Mikhail Khodorkovsky and lawyer Sergei Magnitsky, who died in police custody, still make investors wary of Russia, the level of foreign direct investment in Russia is high.

Foreign direct investment in the Russian economy increased 39 percent in the first half of this year, compared with the same time period last year, and is now valued at more than \$27 billion, Prime Minister Vladimir Putin said last week. He expressed hope that the number would soon grow to \$60 billion to \$70 billion, RIA-Novosti reported.

Analysts hesitate to affirm total investment climate recovery.

"The government says what it wishes were true, instead of the truth," said Alexei Minayev, head researcher at Rye, Man & Gor Securities.

Although there has been more attention paid to rule of law in the country, it is still too early to say the investment climate has improved. Investors need to see concrete proof of rule of law, such as guarantees that their property rights will not be violated, and that has not happened yet, Minayev said.

"These tendencies take time, so it is not yet clear that anything has really changed," Minayev said.

The level of foreign direct investment is rather high in Russia, the government just needs to improve the environment, Troika Dialog chief strategist Kingsmill Bond said.

The role of the courts has been expanded and steps have been made to improve liquidity, but investors need to see some specific results of the reforms, Bond said.

These include the resolution to the Magnitsky case and a higher rating in corruption indexes. Russia scored a dismal 2.1 on the 2010 Transparency International Corruption Index.

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