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Smiles Greet the Status Quo at FIAC

By Howard Amos

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Prime Minister Vladimir Putin and 3M CEO George Buckley, right, exchanging glances during a meeting of the foreign investment council on Monday. **Mikhail Metzel**

Prime Minister Vladimir Putin impressed a gathering of heavyweight foreign investors with charm and statistics Monday, at a set-piece annual discussion between government officials and foreign chief executives.

Opening the 25th meeting of the Foreign Investment Advisory Council, or FIAC, with a welcoming smile directed at all sides of the rectangular table, Putin told investors that unemployment in Russia had fallen, foreign direct investment was growing and that Russia would not have a budget deficit in 2011.

Despite recent political upheaval, including the firing of internationally respected Finance Minister Alexei Kudrin on Sept. 26, Putin stressed that there would be no changes to government economic policy.

"On the threshold of any big political event, especially parliamentary and presidential

elections, investors are interested in how the economy will develop," Putin said, according to a transcript on the prime minister's web site. "We do not intend to change the economy's orientation."

Putin told his guests that he welcomed criticism as well as praise. "That was all very pleasant for me to hear," Putin told Paul Bulcke, head of Nestle, who had just made a speech, "including the critical observations."

Putin said unemployment had dropped by 1 million people since January, Russia's trade surplus was $147.7 billion in the first three quarters of 2011, and agriculture will grow by a minimum of 14 percent this year.

Investors present at the meeting were quick to compliment Putin. "I had skepticism about investment in Russia, but I walked away with quite another impression," said George Buckley, chief executive of 3M, in remarks released by his press service after the gathering.

"I was very pleased with this meeting," Buckley said. "Mr. Putin was very impressive, strong and intelligent. He is extraordinarily well informed."

Making a keynote speech at the meeting, James Turley, chairman of Ernst & Young, criticized the time required for construction in Russia and the effectiveness of its legislation in today's global business environment. But he told Putin that FIAC was in favor of his decision to run for a third term as president in 2012.

"We support your candidacy for the post of president, but we will miss your leadership here in your capacity as prime minister," Turley said.

Klaus Kleinfield, president of aluminum-miner Alcoa, told The Moscow Times that the meeting was, "as always, a frank and direct conversation."

"Topics ranged from customs to taxes, to easing visa regulations, to welcoming the creations of a new ombudsman to help foreign investors navigate the Russian system more efficiently," he said.

Russian ministers present at FIAC in addition to Putin included Deputy Prime Minister Igor Shuvalov, Economic Development Minister Elvira Nabiullina, Energy Minister Sergei Shmatko and acting Finance Minister Andrei Siluanov.

Pledging to commit an additional $20 billion to health care and education over the next three years, Putin also looked to reassure investors during the televised gathering that Russia was able to keep a lid on any social protests linked to economic problems. Russians should be able to count on the fact that their country was changing for the better, Putin said. Otherwise, "things may reach the state that we now observe in some countries with an advanced economy where ... hundreds of thousands demand what the governments of those countries are actually unable to do."

Chaired by the Russian prime minister, FIAC was created in 1994 to channel the expertise of foreign companies into the improvement of Russia's investment climate. It includes 42 chief

executives from international companies and banks.

During the committee's meeting on Oct. 18, 2010, Putin emphasized the government's privatization program as an important opportunity for foreign investors. Despite ambitious plans, the program has failed to get off the ground, and there was no discussion of privatization Monday.

The expected sale by the Central Bank of a 7.6 percent stake in Russia's biggest lender, Sberbank, this fall has been postponed because of market turmoil.

Putin also focused less on the importance of high-technology transfer in foreign investment than in 2010. "Although our main aim is diversification, the infusion of our economy with an innovative character, we do not, of course, intend to kill the chicken that currently lays the golden egg — on the contrary, we care about her health and will think about how to attract investment in the sphere of mineral resource extraction," Putin said.

Noting that the companies represented by the executives sitting around the table — which included BP, Deutsche Bank, Kraft Foods, PepsiCo, Siemens and Unilever — had contributed about $100 billion to the economy, Putin said foreign direct investment, or FDI, had risen 20 percent in the first nine months of this year. Nabiullina, the economic development minister, said Russia attracted $31 billion in FDI that in the first nine months of 2011.

According to figures from the Organization for Security and Cooperation in Europe cited by Frank Schauff, head of the Association of European Businesses in Russia, FDI stood at $41 billion last year and $36 billion in 2009 — indicating that this year's figure has yet to show any substantive growth.

"The investment climate is more or less stable," Schauff told The Moscow Times. "Things are pretty much the same as a year ago."

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