

Investors Look to Putin for Direction

By [Irina Filatova](#)

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A worker passing a giant panoramic picture Wednesday as he prepares to plant the last sod at the site of this week's St. Petersburg Economic Forum. **Alexander Belenky**

Nearly 5,000 investors leaned forward in their seats during Dmitry Medvedev's keynote address at the annual economic forum in St. Petersburg last year, eagerly waiting to hear whether he would run for a second term as president.

But Medvedev refused to spill the beans, saying only that "every story should have intrigue, otherwise it's not interesting to live."

He promised, however, to reveal his plans soon.

Indeed, the announcement came three months later at a United Russia convention, when Medvedev said he would step aside for Vladimir Putin.

So it will be Putin, who last month returned to the Kremlin for a third term and immediately reshuffled the government, who welcomes business leaders to this year's forum Thursday

with a keynote speech some hope will clarify the new government's priorities, particularly the economic modernization policy initiated by Medvedev.

"I would like to better understand the priorities that the government has today in order to see where we as an IT company could be useful," said Alexander Mikoyan, head of Hewlett-Packard in Russia.

He said an overview of the government's strategic goals would help investors understand how to further develop business here.

Uwe Kumm, managing partner for Russia, the CIS and the Baltic states for Roland Berger Strategy Consulting, said he would like to understand Putin's view on Russia's economic growth.

Specifically, he wants to know how Putin plans to improve the investment climate and develop nonextraction industries like heavy machinery, chemicals production and infrastructure to diversify the economy.

Philippe Pegorier, Russia president and chief executive of French engineering giant Alstom, echoed those thoughts.

"I would very much appreciate the confirmation that the current trend for modernization of the Russian infrastructure and industry will be preserved and that the foreign investors are still welcome in the country," he said.

The Kremlin has said little about the content of Putin's speech, but the prepared agenda for the forum, whose theme is "Leadership That Works," puts an emphasis on the efficiency of governance models.

In addition to his speech, Putin, who last attended the forum as president in 2007, will meet with select foreign investors.

But courting foreign investors might prove challenging this year because many are avoiding riskier markets like Russia amid the global economic turmoil and declining oil prices.

"One of the big differences at the start of Putin's third term and his previous presidencies is that oil revenues can no longer bail out the economy," said Chris Weafer, chief strategist at Troika Dialog. "The reform agenda is now a lot more urgent, and the consequences of not making progress are a lot more dangerous and clearer."

High oil prices during Putin's previous two terms bred complacency, but the current risks for Russia are external.

Oil prices could slide for the next 18 to 30 months due to expected growth in crude supplies and a surge in shale-oil production in the United States, Weafer said.

He added that huge capital outflows from Russia have worsened potential investors' perception of the country.

In this environment, he said, the aim of this week's forum should be to draw a line under

a difficult few years, during which the perception of investment risk in Russia has increased.

"The main message is likely to be that Russia is open for business and is determined to make whatever changes are necessary to attract a greater volume of foreign company participation in the economy," he said.

Russian leaders have attended the St. Petersburg International Economic Forum since 2006, when it was first held in its current format.

Since then, the event has welcomed prominent businesspeople and politicians from all over the world. The number of participants reached a record 4,700 last year, and more are expected this year.

Last year's forum offered the international audience a surprise when then-U.S. Ambassador John Beyrle announced that visa rules would be significantly eased, although they haven't been yet.

Beyrle's announcement was supported by growing optimism about Russia's accession to the World Trade Organization, which was finalized in December.

Although Medvedev acted coy on his presidential ambitions, his speech did offer notable moments, including a call to expand the government's "too modest" privatization plans.

An initiative to enlarge Moscow's city limits and move federal government agencies from the gridlocked city center to beyond the Moscow Ring Road sparked the most intense discussion.

Several major announcements and business deals are expected this week, with the main intrigue swirling around the fate of a project to develop the Shtokman gas field in the Barents Sea.

Gazprom will explore the field with a consortium of foreign investors consisting of Norway's Statoil and France's Total.

The company plans to hold final talks on the project, which stalled after the partners failed to agree on an investment plan.

Meanwhile, Shtokman might get a new investor, Royal Dutch Shell, which is interested in securing a 25 percent stake, Vedomosti reported Tuesday, citing an unidentified source close to Gazprom.

Shell might replace Statoil, which has reportedly failed to agree with Gazprom on an exploration plan.

Gazprom chief executive Alexei Miller said Tuesday that the negotiations would yield a new agreement on the terms of the project and that this would replace the current agreement, which expires July 1.

Also at the forum, Transaero is expected to sign deals with Sukhoi to acquire six Superjet 100 aircraft and with Airbus for four A380s, the world's biggest passenger jets, according to the event's website.

Last year's forum netted about 283.5 billion rubles (\$8 billion) in signed contracts, according to organizers' figures.

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