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EBRD to Make Case for Russia in N.Y.

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Suma Chakrabarti

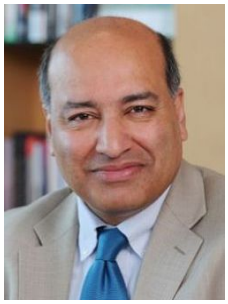
The head of the European Bank for Reconstruction and Development will tout Russia as an investment destination in a major speech in New York on Monday, although Moscow and Washington have been trading barbs in recent months.

In highlighting the investment opportunities, the EBRD will showcase successful projects that it pursued in association with U.S. partners during the speech at the U.S. Chamber of Commerce.

"What I am saying to companies is: 'Whatever the current situation in relationships, it is actually possible to have very successful investments in Russia,'" the bank's president, Suma Chakrabarti, said in an interview ahead of the speech. "And we have proven that with many U.S. companies. That's really my pitch."

The latest spat between Russia and the United States revolves around suspected human rights

violations, which led to mutual blacklisting of some government officials earlier this month. A wave of anti-Americanism accompanied the presidential campaign in Russia in last year.



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Kremlin chief of staff Sergei Ivanov last week scoffed at the comparatively meager investment exchange between the countries. According to Ivanov, Russian direct investment in the United States totaled $8 billion, while U.S. investment in Russia was $7 billion.

"It's nothing," he said in comments on the sidelines of an investment conference after meeting with former U.S. Secretary of State Colin Powell.

He blamed the lackluster numbers on politics.

"A lot of irritants appeared in bilateral relations, which stand in the way of developing normal trade and economic interaction," he said, Interfax reported. "So far, it's just warheads and human rights that we discuss with the United States."

Chakrabarti is making an effort Monday to prove that a turbulent political climate shouldn't stop American businesses from making a profit in the world's biggest country, according to an advance copy of his speech.

The speech points to joint investments in Russia such as the one EBRD made with GM in car plants and one with Guardian Industries Corporation in a glass manufacturing plant.

"There remain huge opportunities for American investors in Russia," Chakrabarti will say.

He will list the availability of well-trained English-speaking employees, nearly 100 percent literacy, enormous pent-up demand for consumer goods and a growing middle class as some of the reasons why investors might want to take a closer look at the country.

"Why Russia? Why now? Because it continues to provide the opportunities and rates of return, the profit margins which are increasingly elusive elsewhere," Chakrabarti will say.

Also, American and other foreign investors could take advantage of Russia's stated desire to diversify its economy, which is now overly dependent on the exports of oil, gas and other commodities, according to the speech.

So far, one of the biggest U.S. investors in Russia, ExxonMobil, is betting on the country's copious resources. In addition to its oil project off Sakhalin, it recently joined forces with Rosneft to explore for oil elsewhere in Russia.

The speech does not mention the slowing of the Russian economy and concerns of a possible recession later this year.

The EBRD president will not hold back on rehashing the country's other woes, such as corruption and red tape, but will say the bank could help navigate this environment as a partner.

EBRD is willing to come to the aid of other foreign investors because that would fulfill its mandate of promoting economic change in the former Soviet Union and its Eastern European satellites, Chakrabarti will say.

"Every project helps us keep moving down that road," he will say.

The trip to the United States comes after Chakrabarti visited a number of other countries, including India and Turkey, to persuade potential investors to engage with Russia.

Set up in 1991 to help former communist countries make the transition to market economies, the bank is now financed by 64 member countries around the globe. It has provided more than 23 billion euros in more than 700 successful projects in Russia, its biggest market.

According to U.S. Commerce Department statistics, U.S. exports to Russia increased 30 percent last year to reach $10.6 billion. Russian exports to the United States declined 16 percent to $29.2 billion.

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