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Putin Acts to Calm Investors

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President Vladimir Putin delivers a speech during a session of the St. Petersburg International Economic Forum 2014 on Friday.

ST. PETERSBURG — President Vladimir Putin attempted to reassure global business leaders — jittery over the US-led sanctions campaign against Russia — to stay in the country as he met with them at St. Petersburg International Economic Forum Friday.

"Think of the benefits of working in Russia, don't give in to pressure and blackmail, and we will help you," Putin said at the 18th annual gathering, which saw a severely diminished showing by U.S. executives. Many of these ducked the forum at the request of Barack Obama's administration, which is intent on punish the Kremlin for its alleged meddling in the Ukraine conflict.

Putin, acknowledging that Russia's economic growth can no longer be driven by energy exports, outlined his strategy for the structural reform of the economy on Friday, focusing on massive infrastructure projects, the enhancement of human capital and financial and regulatory support of business by the state.

He has also answered the question on many minds in the run-up to the Ukrainian presidential elections this Sunday, hinting that he would recognize the new leadership in Kiev if it halts military action in Ukraine's maverick pro-Russian eastern provinces.

Lambasting the West, and primarily the United States, for disrespecting Russia's interests and snubbing Moscow's attempts to engage in dialog was another leitmotiv of Putin's 40-minute speech and the hour-long question and answer session that followed it.

Putin also downplayed the effect of the economic sanctions on Russia's economy, saying they target mainly his personal friends, and these had been shrewd enough businessmen to transfer their assets home in good time.

Reform Roadmap

The Kremlin's plan to revive the Russian economy, as presented by Putin Friday, sees non-energy exports growing by six percent each year, substitution of imported goods with domestic products, stimulating investment into modernization projects, improving professional education and easing labor market mobility.

"I will also send to parliament a package of bills aiming to ease procedures for registration of companies, getting licenses, customs procedures — all initially expected to pass in 2018 — by the end of this year," Putin said.

He added that he will push for the dissemination of best practices accumulated by Russian regions in dealing with investors in other regions. On Friday, the Agency for Strategic Initiatives, an official innovation institute, released Russia's first regional investment rating, based on accounts of investors. Kaluga region, Ulyanovsk region, Krasnoyarsk region and the Republic of Tatarstan topped the list of most investor-friendly regions.

The modernization of industrial sectors will be another priority for the government, Putin said, naming automotive, textile, food and defense industries.

"Russia needs a technological revolution," he said, adding that the government will support companies introducing "clean" technologies and will start punishing polluters and those who work using obsolete equipment.

The government will also work to increase the capitalization of the major state banks in what should make borrowing cheaper, Putin said, while greenfield projects will be granted tax perks to match invested capital.

Putin dwelled on his pet infrastructure mega-projects, claiming that the latest record-breaking $400 billion gas deal signed with China on Wednesday would result in the "largest construction project in the world."

Russia will invest up to $50 billion and China over $20 billion into building gas pipelines and supporting infrastructure, he said. Infrastructure construction for the 2014 Winter Olympics in Sochi, said to be the most expensive Games in history, amounted to $51 billion.

Other large upcoming infrastructure projects named by Putin were Transsib and Baikal trunk-railroad lines in Siberia, and the 370-kilometer ring road in Moscow and the Moscow region.

Putin's address dampened risks and gave Russian and western businessmen hope of normal conditions to work in, Alexey Kudrin, former Finance Minister and Putin ally, told The Moscow Times. Though, he said, Putin's roadmap does not amount to a coherent plan of the structural reform of the economy.

"The main achievement of this forum is that the links with the West are not broken and that Russian economy will remain open," Kudrin said.

Ukraine's Choice

Asked whether he would recognize the new leadership of Ukraine set to be voted in on Sunday, Putin said Friday that he will "respect the choice of the Ukrainian people," though with the caveat that he expects the new authorities to stop the violence in the southeastern pro-Russian separatist provinces.

"Tanks are used there, journalists get kidnapped — hardly suitable conditions to hold elections," he said. "God be with them, let them have it whatever way."

Asked whether he would have a working relationship with Petro Poroshenko, a chocolate magnate and the front-runner in the Ukrainian vote, Putin joked: "Let him return the money, to start with." referring to a $3.5 billion loan issued by Russia to Ukraine late last year and the money owed by Ukraine for Russian gas delivered in 2014.

Sergei Ivanov, head of Putin's administration, told reporters to think of Putin's insistence that Ukraine pay its outstanding debt for Russian gas in Thatcherian terms.

"I want my money back," Ivanov said, borrowing Margaret Thatcher's line from her attempt to renegotiate the UK's budget contribution to the European Economic Community in 1979.

Earlier this month, Russia's state energy giant Gazprom said it could halt its gas shipments to Ukraine on June 3 if the country fails to make advance payments for Russian supplies.

Still, Putin said the vote could easily be torpedoed legally, given that ousted Ukrainian president Viktor Yanukovych was not stripped of his powers in a constitutional manner.

Lashing at West Neglect

While he did not name the United States during his speech, Putin lashed out at the backers of the unipolar world, saying their inability to seek compromise creates chaos, impedes economic development and dismisses the growing global demand for collective leadership.

Later, speaking of the failure of the so-called 2009 "reset" in relations between Moscow and Washington, Putin hurled the blame at the Obama administration.

"It was the result of unilateral actions, and it was not us who spoiled these relations," he said. "Russia is a country with which you need to seek compromises and take into account its interests."

Putin referred to the regime change in Ukraine that was welcomed and supported by the West.

"What should we have been thinking? That Ukraine will join NATO and U.S. antimissile defense system installations will appear there tomorrow?" Putin said.

Every time Russia raises concerns with the West over another Eastern European state joining NATO, the president lamented, "we have been told that it is not our business and each country has a right to seek protection."

"Why Russia is deprived of this right?" he said. "We are tired of this way of having discussions with us."

Economic sanctions against Russia are how the West wants to make Russia to pay the price for the crisis in Ukraine, Putin said.

"So far, my friends are being punished, and they don't have any relation to Ukraine," Putin said of the sanctions targeting wealthy businessmen from his retinue. Calling them "experienced businessmen," the president said that they had moved their assets to Russia before sanctions struck.

Claiming that the sanctions had no systemic effect on the Russian economy, Putin suggested that they might be a ploy by the United States to edge out and replace Russia in trade with Europe.

No Internet Restrictions

The president also pledged Friday that there will be no new restrictions on the Internet in Russia.

"We don't have any restrictions for technologies for development," Putin said, adding that only propaganda of child pornography, pedophilia and suicide are banned on the Russian Internet.

However, several opposition news websites have been blocked recently for several weeks.

Speaking of the anti-corruption whistle-blower, popular blogger Alexey Navalny, whose social network accounts are blocked by the government watchdogs, Putin said that such practice exists in the United States, Great Britain and Germany.

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