

Joining forces for modernisation

By YURY FEDOTOV

RUSSIAN AMBASSADOR TO THE UNITED KINGDOM



YURY FEDOTOV graduated from the Moscow State Institute of International Relations in 1971. From 1974-80 he served at in Algeria and from 1983-88 in India. From 1993-99 he was Deputy Permanent Representative of the Russian Federation to the United Nations in New York, then from 2002-05 he served as Deputy Minister of Foreign Affairs of the Russian Federation.

The St Petersburg International Economic Forum 2010 will be taking place at a crucial time for the global economy. The world is slowly and gradually coming out of the recession, the global economic forecasts for this year and onwards are being revised upwards and the emerging markets, including Russia, are arguably leading the way to a stronger growth. Yet there is still a high degree of uncertainty about the future path to recovery. The financial markets remain volatile. The European sovereign debt crisis is just another reminder of that and it should serve as an alarm bell to all countries.

As an integral part of the global market and a major commodity-exporting economy, Russia had not escaped some of the negative consequences of the global crisis. It became a serious test of our national economy and the current growth model, highlighting our commodity dependence and structural deficiencies. Nevertheless, we did pass it this time. Since last Autumn Russia has been re-emerging from the downturn and picking up accelerated growth, supported throughout this period by the decisive and large-scale targeted actions of the government.

Yet President Medvedev stated that the only long-term solution to avoid a new crisis is a comprehensive modernisation of the national economy that should be based on technological advancements and innovations, as well as a reform of the national financial system in

line with the new challenges of innovation-based growth. Today the government's priorities are shifting from the anti-crisis measures to modernisation and innovation, improvement of the key parts of the national infrastructure but keeping up with the adopted plans of economic support and vital social programmes.

The President put the reform of institutions, infrastructure development, innovations, investment and intellectual advancements as the main focus, or "the five I's", of the government's modernisation agenda. Under his direct control an international financial centre is being developed in Moscow; a major centre for high-technology development and innovation is being set up in Skolkovo, and the first large-scale international public private infrastructure projects were launched this Spring. This is only the beginning of a long road to a sustainable and balanced growth for Russia to be achieved in co-ordination with other countries through the Group of 20 and other international fora, based on the EU-Russia Partnership for Modernisation and other similar joint initiatives.

Delivering this ambitious agenda will be a challenging task which would require a substantial boost in foreign and domestic investment and support from our business partners abroad. I am pleased to note that Britain has traditionally led the way among foreign investors in Russia and I hope it will continue to do so in the future. Despite the negative effect of the global crisis on the volumes and dynamics of our bilateral trade and investment recently, Britain remains one of our major economic partners and such partnership is based on a solid foundation established in the previous years. In the first quarter of 2010 the United Kingdom retained the fourth place in current and accumulated investment in the Russian economy, which respectively constituted US\$ 1.1 bn and US\$ 20.5 bn, 7.7 per cent of the total accumulated foreign investment in Russia. The inflow of the British capital is gradually picking up and increased by one third on the same period last year. The bilateral trade turnover also started to grow, albeit slower, and reached US\$ 3.4 bn registering 13.8 per cent growth on the first quarter, 2009.

Remarkably, against the backdrop of the challenging economic environment and in order to stimulate recovery and facilitate growth of the national economies our governments re-launched the high-level bilateral economic dialogue through a meeting of the

HRH Prince Andrew, Duke of York, at the TNK-BP offices in Moscow, November 2009





Photo: RIA Novosti

President Dmitry Medvedev holds discussions with business leaders attending the 2009 St Petersburg International Economic Forum

UK-Russia Intergovernmental Steering Committee on Trade and Investment (ISC) last November in London. The official and business delegations identified at this meeting key areas where joint efforts should be focused in order to improve bilateral trade and investment prospects.

These areas include an enhanced financial services co-operation; support for small and medium enterprises and regional co-operation; energy and energy efficiency projects, building on the developing partnership in this sphere between the Russian Union of Entrepreneurs and Industrialists and the Confederation of British Industry and the respective ministerial memorandum; support for business environment issues, including market access; high-tech and nano-tech industry, and last, but not least, Olympic legacy and developing sports infrastructure for 2012 in London and 2014 in Sochi, building on the agreement reached last year. Currently the joint work is in progress to develop respective programmes of events aimed at highlighting the opportunities for direct business engagement.

In this respect Russia looks forward to working closely with the new British government in order to provide support and facilitate new business projects between our countries in these and other areas of mutual interest. I am pleased to note that there is already in place a good programme of contacts focused on trade and investment promotion. I would also like to underline that British businesses are welcome in Russia and, in my opinion, our bilateral economic co-operation should play an important role in the Russian government-led efforts to modernise our economy.

The theme chosen for the forthcoming forum in St Petersburg is *Laying the Foundation for the Future*. I am certain that by joining forces in modernising our national economies, re-invigorating our bilateral business dialogue, creating new opportunities for high-tech and knowledge-based economic partnerships of the future we could together strengthen such foundation, lay ground for a prosperous and mutually beneficial relationship between Russia and Great Britain in the post-crisis period. **F**