

Sharing the benefits of cooperation

By ANNE PRINGLE CMG

AMBASSADOR OF THE UNITED KINGDOM TO THE RUSSIAN FEDERATION



ANNE PRINGLE joined the Foreign and Commonwealth Office (FCO) in 1977 and served in Moscow, San Francisco and Brussels before becoming Head of the Common Foreign and Security Policy Department and European Correspondent in 1996. In 1998 she became Head of the Eastern Department and was appointed Ambassador to the Czech Republic in 2001. Between 2004-07 she was Director of Strategy and Information and a member of the FCO Board prior to her appointment as Her Majesty's Ambassador to the Russian Federation.

President Dmitry Medvedev, Cyprus Ambassador Petros Kestoras and Anne Pringle after the Kremlin ceremony of credentials presentation by foreign Ambassadors, 16th January 2009

Over the past two years the UK and Russia have both felt the effects of the economic crisis. The crisis demonstrated that in a globalised world, no country or region is immune from shocks originating elsewhere. Co-operation is essential if we are to address international challenges.

While the economic recovery is still weak, substantial fiscal intervention by governments has helped avoid a much sharper downturn. Growth has returned to most major economies, including the UK and Russia, but it remains fragile. Some countries and sectors have troubling economic imbalances. Intervention and corrective measures will be necessary to prevent these problems from spreading. Secondly, the fiscal stimulus which was necessary to boost growth during the worst of the crisis has left many countries, including the UK, with large deficits. These will have to be curtailed to place our economies on a sustainable footing for the medium term. Thirdly, although the race to protectionism could have been worse during the crisis, it was not prevented completely. Many countries, including Russia, raised tariffs on a number of items. Removing these temporary tariff measures would give a boost to restoring global trade and growth.

The emergence from the crisis is also a time for opportunities. President Medvedev has set out a bold programme to modernise Russia, encompassing not only technological advancement, but also improvements to the rule of law and business climate, including tackling corruption and bureaucracy. He has prioritised development in five key areas – energy efficiency, nuclear energy, information technology, communications and space, and health.

The UK strongly supports these goals of modernisation. A prosperous, modern Russia is in our interests. Greater diversification of the economy will help spread the benefits of growth throughout the population, as well as underpin Russia's integration into the global economy. And improvements in the business climate and rule of law will benefit the many British companies already doing business here, and encourage further investment.

As Russia pursues these goals of modernisation, we intend to deepen the channels of communication we have built up over the past couple of years through the Intergovernmental Steering Committee on Trade and Investment. This body meets annually at Cabinet Minister level. We share experience and tackle barriers to investment in six main areas: energy efficiency,



Photo: RIA Novosti

Olympic co-operation, hi-tech sectors, SMEs, financial services, and business climate. We hope that the next meeting will take place in Moscow this autumn.

The UK has long been one of the main foreign investors in Russia, with over 1,000 UK companies now active in the Russian market across all sectors, most notably in energy, financial services and retail.

We will continue to deepen these links, and see potential in six areas in particular: Firstly, financial services. London remains the top choice for Russian companies wishing to raise capital to expand their business. A number of Russian companies plan to carry out debt and equity issuances in 2010. Meanwhile, UK financial services companies investing in Russia see huge potential for growth in the fields of mortgages, banking and the insurance sector. To give just a couple of examples: in a country of 142 million people, mortgages represent just 2.5 per cent of GDP. Private pension funds are equivalent to just 1.5 per cent of GDP, relative to an OECD average of 75 per cent. We support Moscow's ambitions to become a global financial centre, and believe the experience and skills of UK firms can play a significant role. The Lord Mayor of London and a large delegation of financial services professionals will visit Moscow and St Petersburg this June for meetings with senior Russian interlocutors to discuss business opportunities and the regulatory environment.

Energy is at the heart of the Russian economy, and is a key sector for British investment. As well as our major investors Shell and BP, other UK companies are keen to bring their experience of areas such as offshore, subsea and LNG. Both our countries see improvements in energy efficiency as a major priority. We welcome President Medvedev's ambition to improve Russia's energy efficiency by 40 per cent by 2020. UK investors can help achieve that goal. In October 2009 we signed an MOU on energy efficiency with Russia, under which we have promoted work between the CBI and its Russian equivalent, the RSPP.

UK firms also have a great deal to offer in the field of advanced engineering, including state-of-the-art machine tools and manufacturing technologies. Aerospace is likely to be a particularly fruitful sector for collaboration, with Russia set to develop Europe's largest aerospace market by 2013. The UK has deep experience in this area, with the world's second largest aerospace sector after the US.

We welcome the Russian government's commitment to modernise infrastructure, particularly at its ports and airports. With major restructuring of ports, especially in the Northwest, and refurbishment of airports, including major projects in Moscow and St Petersburg, there is significant scope for UK investment.

Both the UK and Russia share a common agenda as future hosts of Olympic Games in London and Sochi

respectively. We are pleased with the close co-operation we already enjoy with the State Olympic Corporation, and the opportunity to share experience on running a successful games – from infrastructure construction to project management to logistics – and creating a legacy for future generations.

Finally, both our countries are looking towards the hi-tech sector as a source of future growth. As the British economy has developed, the contribution of hi-tech manufacturing and knowledge-intensive sectors has risen to over 40 per cent of GDP. We hope for deeper collaboration between our companies in high tech industries, especially in areas like nanotechnology.

The role of governments in modernisation will continue to come under close scrutiny. In the UK we provide an open and flexible environment for growth to flourish. We welcome the emphasis President Medvedev has placed on improving the business climate in Russia, including removing bureaucracy and tackling corruption. The Russian government understands the problems that are holding back investment, and we are ready to work with them as they tackle them. In particular, we strongly support Russia's efforts to join both the WTO and OECD – membership of both organisations would provide a significant boost to the investment climate, encouraging the inflow of capital and skills to underpin Russia's modernisation.

Through close co-operation governments worldwide have helped avoid the worst of the economic crisis. Through continued co-operation we can ensure our economies share the benefits of the recovery in open markets.

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Anne Pringle and Andrei Busygin, Russian Deputy Culture Minister, attending a news conference on the opening of the JMW Turner exhibition at the Pushkin Museum of Fine Arts



Photo: RIA Novosti