

# Finding opportunity in adversity

By **STEPHEN DALZIEL**

EXECUTIVE DIRECTOR, RUSSO-BRITISH CHAMBER OF COMMERCE



**STEPHEN DALZIEL** graduated in Russian Studies from the University of Leeds. He began learning Russian at school in 1971, visiting the USSR for the first time in 1974, and spent a year at Kiev State University as part of his undergraduate studies. After graduating, Mr Dalziel served for one year in the British Army before joining the Soviet Studies Research Centre at the Royal Military Academy, Sandhurst. In 1988 he moved to the BBC, where he spent 16 years as the Corporation's Russian Affairs Analyst. He was appointed Executive Director of the RBCC in 2007.

**W**hen the recession started to bite in 2008, it gradually became clear that the global economy was being shaken in a way which had never been known before. When the USA suffered the Wall Street Crash in 1929, the world's economies were not linked in the way that they are today. This time, one person sneezed and we all caught a cold. And we will continue to take the medicine for a while yet.

The UK and Russia, of course, both suffered from the downturn, but in different ways. But one thing we have in common is that, on the whole, people took a pragmatic approach to what was happening; that was certainly what we saw in the Russo-British Chamber of Commerce (RBCC). One of the strengths of the Chamber is that we bring people together; as we like to say, we provide Introductions and Information which Improve your business.

And despite the fact that advertising and marketing budgets were among the first things which many companies cut back on, membership of the RBCC continued to grow throughout 2009. Somehow there seems to have been a sense that, when the going got tough, the wise heads decided that it was better to stick together in an organisation like the Chamber, rather than be stuck out on a limb on your own.

RBCC was founded in 1916 to improve trade between the United Kingdom and Russia and has seen a number of crises in the nearly one hundred years of its existence. Probably the biggest challenge came when the Chamber was just one year old: the Bolshevik Revolution of 1917. Writing in the very first issue of the Chamber's Journal, in February 1919, the Editor, Captain A H Mitford, summed up the situation with a wonderful example of great English understatement:

"Shortly after the commencement of the year 1918 trade with Russia entirely ceased, and the useful activities of this Chamber were consequently very much limited."

It is no small wonder that the Chamber survived at all in such circumstances. But survive it did and was well placed to take advantage of the improvement in relations between Moscow and London shortly after this. Indeed, Great Britain was the first country to recognise the Bolshevik government as the leader of post-revolutionary Russia, something which is reflected even today in an everyday sight on the streets of Moscow.

Have you ever wondered why it is that British diplomats drive around with the number '001' on their car numberplates? It is because those numbers were given out in the order in which countries recognised the Soviet authorities. The USA was the fourth country to do so; hence American diplomats have '004' on their cars.

At the height of détente in the early 1970s, when the then-US President, Richard Nixon, was cosying up to the General Secretary of the Communist Party of the Soviet Union, Leonid Brezhnev, there was intense diplomatic pressure behind the scenes to try to persuade Britain to swap those diplomatic numbers with the US. But with a true English sense of history, the Foreign Office stood firm, and '001' still signifies Great Britain!

Of course, compared to the various crises that have occurred during the Chamber's existence, the numberplate question does not even feature. More significant was the name of the organisation. Having been founded in 1916 as RBCC, the officers of the Chamber decided to stay with the name for many years. It was only in 1972 that the decision was taken to come up to date, and re-name the Chamber to take into account that since 1922 Russia had been just one constituent part of the Soviet Union. So in 1972 RBCC became BSCC: the British-Soviet Chamber of Commerce.

Just 20 years later, after the collapse of the Soviet Union, the Chamber reverted to its original title, and the decision was taken to concentrate on building business bridges between Britain and Russia, and not with other former Soviet republics. Happily, just dealing with Russia keeps the Chamber's staff in our three offices in London, Moscow and St Petersburg more than busy!

At the time of the greatest trial for both of our countries, the Second World War, RBCC helped to maintain links between London and Moscow, especially from 1941 to 1945 when Britain and the USSR were allies in the struggle against Nazi Germany. This is something we never forget, and the fact that the Chamber is always represented at the ceremonies at the Soviet War Memorial in London on Victory Day, 9 May, and Remembrance Sunday in November, bears testimony to this.

One reason why Russians could afford to be so calm about the financial crisis of 2009 is that much of post-

Soviet Russian history has been dealing with crises. After the collapse of the USSR at the end of 1991 and the decision as of 2 January 1992 to free prices, Russia witnessed rampant inflation in a similar way to Germany in the 1920s. Soviet citizens were not allowed to hold foreign currency, so had nothing to safeguard their savings when the value of the ruble plummeted in 1992.

Just as people were getting back on their financial feet, the then Russian President, Boris Yeltsin, decided to get a grip on the ruble, which had grown a string of noughts on the end and he deleted three of them. So overnight 1,000 roubles became one ruble. The problem was that it was only the first 200 rubles in your bank account which was honoured. So suddenly any honest citizen who had saved a few thousand rubles found that their savings had disappeared yet again.

As if this wasn't bad enough, in 1998 came 'the default', when Russia reneged on its international debts and the rouble fell, again virtually overnight, to a quarter of its previous value. It was the long-suffering Russian citizens who again bore the brunt of yet another financial crisis.

Ironically, though, the crisis of 1998 gave a much-needed boost to the Russian economy. Many people had become so used to buying foreign goods that even staples such as milk were being bought from Finland instead of being produced by Russian cows. After the default, Finnish milk, along with hundreds of other goods, became too expensive to import. Russians had to produce their own food and other goods; and, guess

what? They found – of course – that they could!

The first decade of the twenty first century saw a period of stability the like of which most Russians had never experienced – at least not if you accept the view that the later years of Soviet power were less a case of stability, but rather ones of stagnation, as the Russians themselves term the late Brezhnev years. But this new-found stability brought with it its own problems. Russia rode the oil wave, especially after creating the Stabilisation Fund at the start of 2004, when all revenues over 27 dollars to the barrel went into the state's coffers. As the oil price rose, Russia came to have the third largest currency reserves in the world.

The down side of this, though, and something we have come into contact with frequently in the Chamber, is that far too little has been done to encourage the development of that backbone of the UK economy, small and medium-sized enterprises, or SMEs. Some 97 per cent of British businesses are classed as SMEs. And it is precisely SMEs who most need the help of an organisation such as the Chamber.

In coping with various crises in recent years, Russians have shown that they are very capable of showing the kind of initiative and invention which too often was suppressed in Soviet times. The modern Russian workforce is well educated and many young people speak foreign languages. It would be a great achievement if Russia were to emerge from the latest downturn with more recognition and genuine help being given to people who want to unleash their entrepreneurial talent. **F**

**One reason why Russians could afford to be so calm about the financial crisis of 2009 is that much of post-Soviet Russian history has been dealing with crises**



Delegates attending the annual RBCC Business Forum at the Institute of Directors in London