

UK and Russia: Open for business

By **DAME ANNE PRINGLE DCMG**

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.

The UK and Russia have both faced tough economic challenges over the last few years: the world was buffeted by the global financial crisis, the UK was in recession, and the Russian economy had contracted by nearly 8 per cent. It is heartening that both Russia and the UK are now on a path to recovery. Russia grew by 4 per cent in 2010, the strongest growth by a G8 nation.

Yet globally the environment remains challenging, with risks from soaring oil, food and raw material price rises, a larger than expected China slowdown, inflation in emerging markets, fiscal volatility in the US and Japan, as well as eurozone financial vulnerabilities.

This puts a premium on individual countries' policies to stimulate economic growth, as well as on international trade, innovation and entrepreneurship. The UK Government has committed to ensuring sustainable, private sector-led growth, putting international trade and investment at the top of their priorities. The UK's latest economic data indicates that net exports made a record contribution to growth in the first quarter of 2011.

Russia is an important market for the UK and we are one of the biggest foreign investors here. We strongly support Russia's accession to the WTO this year, which we believe will help to modernise the Russian economy, increase foreign investment in Russia and provide new export opportunities for Russian companies worldwide. UK exports to Russia in 2010 were up 51 per cent on the previous year to £3.5 billion and Russian companies account for nearly a quarter of all foreign IPOs on the London Stock Exchange. VTB recently raised US\$3.3 billion in their Secondary Public Offering. In addition, the UK is building strong links in science, innovation and education. The Lord Mayor of the City of London in his annual visit to Russia in July co-chaired the first meeting of a UK-Russia Liaison Group to support Moscow's development as an international financial centre.

The Russian Government has an ambitious agenda to modernise the economy and infrastructure. This will require investment and expertise. The UK excels in many of the areas that President Medvedev and Prime Minister Putin have chosen as priorities for modernisation. Over 20 UK firms are working on the Sochi Winter Olympics, including AECOM, Arup,

Honeywell, Mott McDonald and many others. British designers helped design the stunning main Sochi Olympic stadium. GlaxoSmithKline have agreed to joint production of innovative vaccines in Russia. Lord Green, our Trade Minister, took part in an interesting discussion on the new Russian Direct Investment Fund at the St Petersburg Economic Forum in June. It is a useful initiative.

The energy sector of course remains central to UK investment. Our energy majors are keen to support further Russian investment in new fields and infrastructure in this, the world's largest exporter of oil and gas. The UK is also leading the way on climate change. In May the Government set out its fourth Carbon Budget with binding targets to reduce UK carbon emissions to 50 per cent of 1990 levels by the mid-2020s – the first country in the world to do so. This sends a clear signal of the UK's commitment to a low-carbon economy and shows that there need not be a tension between greening and growth – again an important message for Russia as it seeks a more energy-efficient economy, diversifying from production of oil and gas.

The bilateral relationship is also improving, underpinned by good contacts between the Prime Minister and President Medvedev and the Foreign Secretary and his Russian counterpart, Sergey Lavrov. The Prime Minister will be bringing a senior business delegation with him to Russia in September.

2011 is also the UK-Russia Year of Space. We are working together on a joint satellite project to predict seismic activity; joint research on crew psychology; and an experiment on microgravity at the International Space Station. We celebrated the 50th anniversary of Yuri Gagarin's heroic space flight this year with a series of events in London in July. We also agreed a Joint Statement on enhanced science and education cooperation covering nuclear and particle physics; Arctic and climate science; nanotechnology; energy efficiency; space; and life sciences.

Succeeding in Russia requires patience and commitment. Most British firms that enter this market with a long-term commitment secure a healthy return on their investment. Future prospects for growth are substantial. The Embassy and Consulates in St Petersburg and Ekaterinburg stand ready to support you.