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 **ROSCONGRESS**
Building Trust

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The 25th anniversary edition of the St. Petersburg International Economic Forum, organized by the Roscongress Foundation, took place on 15–18 June 2022.

The event was held under the theme

NEW OPPORTUNITIES IN A NEW WORLD,

which served to underscore Russia's continued commitment to openness and broad-based international cooperation at a time of unprecedented sanctions.

As in previous years, SPIEF hosted a number of industry-specific and thematic events. These included the following:

- | **The Russian Small and Medium-Sized Enterprises Forum**
- | **The International Youth Economic Forum**
- | **The B20 Regional Consultation Forum**
- | **The Creative Business Forum**
- | **The Drug Security Forum**
- | **The SPIEF Junior Dialogue**
- | **The Arctic: Territory of Dialogue Forum**

In addition, SPIEF featured a number of thematic spaces, as well as a rich cultural and sporting programme.

The Forum cemented its status as a much-needed platform to discuss issues surrounding the Russian and global economies. The event also provided opportunities to find new ways to strengthen sovereignty and boost international cooperation. Participants could also share experience and sign major long-term contracts.

Among those to attend SPIEF were **Russian President Vladimir Putin**, who was joined at the plenary session by **President of the Republic of Kazakhstan Kassym-Jomart Tokayev**, **President of the People's Republic of China Xi Jinping** and **President of Egypt Abdelfattah Al-Sisi** also addressed participants via video link.



President of the Republic
of Kazakhstan
Kassym-Jomart Tokayev



President of the People's
Republic of China
Xi Jinping



President of Egypt
Abdelfattah Al-Sisi

Despite attempts to “cancel” Russia, the Forum still managed to attract:

INCLUDING **> 14,000** PARTICIPANTS FROM **130** COUNTRIES
> 1,700 BUSINESS REPRESENTATIVES

81 COUNTRIES

sent official representatives, including vice presidents, prime ministers, ministers, parliamentary speakers, and regional leaders.

In addition, **> 60** REPRESENTATIVES OF RUSSIAN FEDERAL GOVERNMENT BODIES ATTENDED THE FORUM, AS WELL AS THE LEADERS OF VIRTUALLY EVERY REGION ACROSS THE COUNTRY.



This year's business programme was unprecedented in scale, featuring:

214 EVENTS

and:

> 1,500 MODERATORS, SPEAKERS, AND EXPERTS FROM RUSSIA AND AROUND THE WORLD.

THE DISCUSSIONS SERVED TO CLEARLY REINFORCE THE FACT THAT RUSSIA HAS CONTINUED TO PRESERVE ITS SOVEREIGNTY IN TERMS OF THE ECONOMY, SCIENCE, TECHNOLOGY, CULTURE, SPORT, AND NUMEROUS OTHER FIELDS. THEY ALSO DEMONSTRATED RUSSIA'S COMMITMENT TO DIALOGUE ON AN EQUAL BASIS, AND THE COUNTRY'S WILLINGNESS TO ADDRESS DOMESTIC AND GLOBAL ISSUES WITH ALL FRIENDLY PARTNERS.





THE NEW ECONOMIC ORDER: RESPONDING TO THE CHALLENGES OF THE TIME

The global economy, and indeed, the entire global community, is experiencing a structural crisis of immense proportions. A number of issues surrounding the recovery of global markets and economic growth in the aftermath of the COVID-19 pandemic remain unresolved. What's more, these have been exacerbated by new issues – namely the consequences brought about by geopolitical restrictions. Commodity, manufacturing, trade, and logistical links are being delib-

erately destroyed for reasons unrelated to economic conditions. In the West, concepts such as business reputation, inviolability of property, the free movement of capital, and confidence in currencies are being undermined at their very core. Speaking at the Forum plenary session, Russian President Vladimir Putin commented that these steps were being taken by Western countries in an attempt to preserve outdated geopolitical illusions around the idea of a unipolar world.

What's more, the situation began to deteriorate long ago – it was not “the outcome of events of the last few months,” and “even more so not the result of the special military operation which Russia is conducting in the Donbas”. Putin reiterated that he drew attention to the issues – which had been exacerbated by the pandemic – in early 2021 at the World Economic Forum in Davos. Both then and now, he commented, the era of a unipolar world, or rather, the era of



attempting to construct one, was over. In the years since the Cold War, the United States, having proclaimed itself to be “God’s messenger on Earth, without any obligations, and only interests,” acts as if it does not notice the objective processes and “genuinely revolutionary tectonic shifts” that are taking place. However, over the past few decades, a number of new centres have emerged throughout the world. These sovereign nations have been developing their own political, social, and economic institutions.

According to Putin, the ruling elites of some Western nations harbour delusions over the so-called “golden billion”, with everyone else being second-class citizens. As a result, they shamelessly impose their ethics, their views on culture and ideas about history, sometimes questioning the sovereignty and integrity of states, and threatening their very existence. When it is impossible to apply direct pressure, efforts are made to “cancel” those coming from the “wrong” places. This is being seen in the traditionally apolitical fields of sport, culture, and the arts. “This is the nature of the current round of Russophobia in the West, and the insane sanctions against Russia,” said Putin, noting how they are unprecedented in number.

The world has entered an era of “drastic change”, and not only in economic terms. “International institutions are breaking down and faltering. Security guarantees are being devalued. The West has made a point of refusing to honour its earlier commitments. It has simply been impossible to reach any new agreements with them,” said the Russian President. He went on to add that the new world

order is only beginning to take shape. However, it is clear that its rules will be set by “those that do not follow a trajectory imposed by others”: “Only powerful and sovereign states can have their say in this emerging world order. Otherwise, they are doomed to become or remain colonies devoid of any rights.”

Russia, Putin said, is entering this nascent era as a powerful sovereign nation, which will absolutely use the new and immense opportunities that are opening up in order to become even stronger.

THE WEAPONIZATION OF THE DOLLAR

One of the main economic aspects of the current crisis, and one which was widely discussed at the Forum, was the West’s refusal to support the reserve role of its currencies for the rest of the world. This arose from the irresponsible macroeconomic policies pursued by the G7 countries (including uncontrolled emission and the accumulation of unsecured debt), and was further manifested in the political decision to essentially steal Russia’s gold and foreign currency reserves. Over the past two years, the United States’ money supply grew by more than 38%, or USD 5.9 trillion, noted Putin. The European Union’s money supply has also increased dramatically over this period, growing by 20%, or EUR 2.5 trillion. According to the IMF, global currency reserves are now at USD 7.1 trillion and EUR 2.5 trillion. “These reserves are devalued at an annual rate of about 8%. Moreover, they can be confiscated or stolen any time if the United States dislikes something in the policy of a particular country,” Putin said.

The uncontrolled emission of the dollar and euro has directly led to inflation. Putin noted that inflation has grown in some Euro-zone countries by more than 20%. Meanwhile, inflation in the US has reached a 40-year high. According to the UN, in February 2022, the food price index was 50% higher than in May 2020, while the composite raw materials index has doubled over this period. In the next few years, global reserves will be transferred from the depreciating dollar and euro to real resources, such as food and raw materials. “Why exchange goods for dollars and euros that are losing value? The conclusion suggests itself: the economy of mythical entities is inevitably being replaced by the economy of real values and assets,” said Putin. Meanwhile, Head of Rosneft Igor Sechin reiterated that the 2008 crisis had not yet been overcome. Indeed, there had only been floods of emissions, the effectiveness of which was exhausted in 2020–2021. He went on to say that efforts to push ahead with the green transition, the pandemic, and sanctions against Russia would only serve to intensify inflation.

Andrey Kostin, Chairman of the Management Board at VTB Bank commented that international settlements have become a weapon in the hands of the US. “I see how even our friendly partners are behaving – they are not afraid of America’s nuclear arsenal or its military might. They are not even afraid of what economic measures the US may take – they are afraid of being cut off from the dollar. That’s the most powerful weapon the US has, and it enables them to dominate and frighten everyone. So, we have no choice. Despite all the difficulties, despite all the



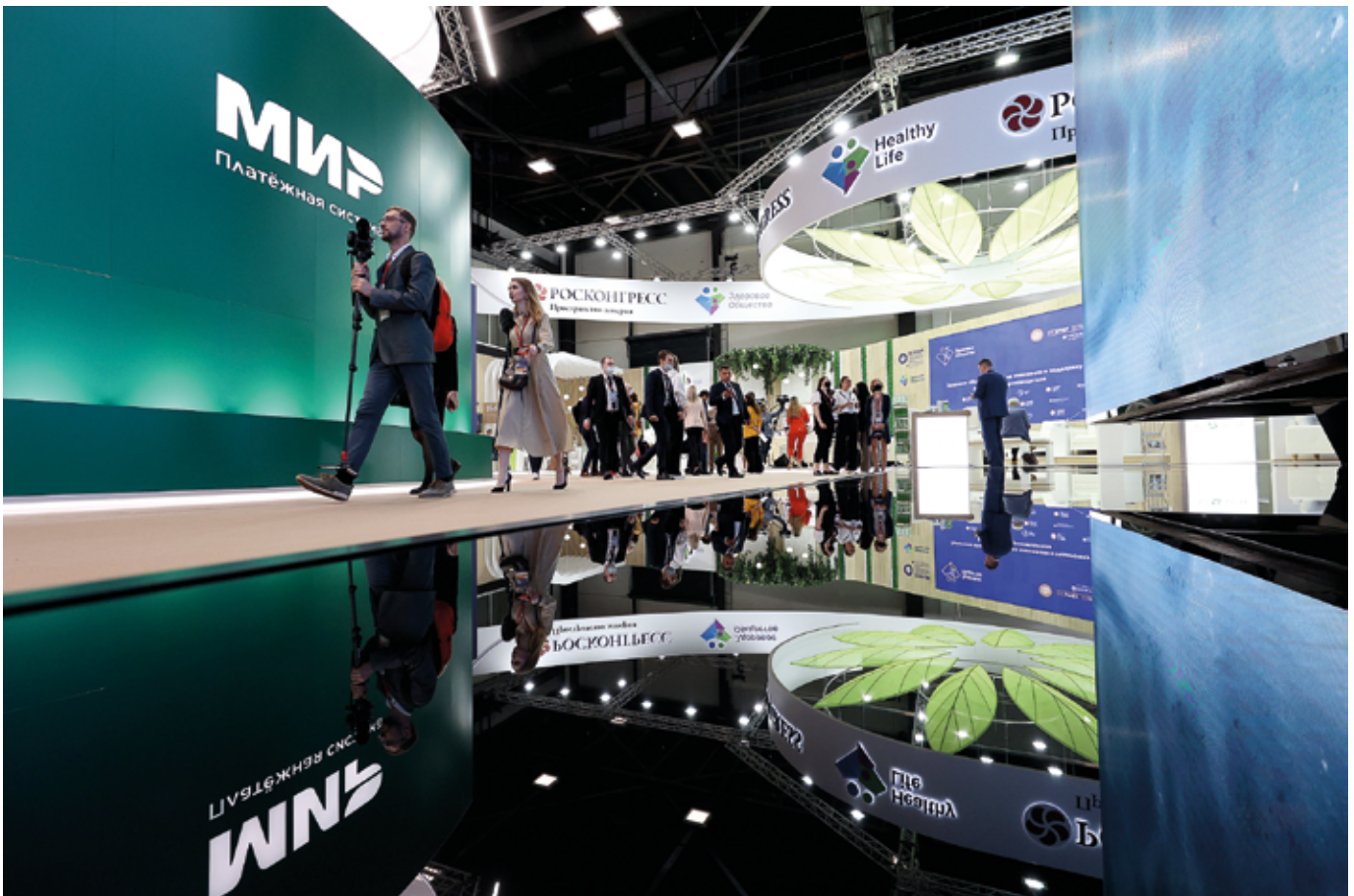
ing throughout the world,” added Russian Presidential Aide Maxim Oreshkin.

THE END OF A UNIPOLAR FINANCIAL SYSTEM

Inflation is not the only thing which is expected to cause damage to the Western financial system. With Russia’s gold and foreign currency reserves being blocked, the dollar and euro are losing their previous status of being reliable currencies. At the same time, more transactions are being made in national currencies, as supporting financial institutions continue to develop. Indeed, a genuine alternative to a unipolar world is being created. Sechin commented that the old global market is effectively dead, and old regulatory institutions and mechanisms are not acting according to economic necessity.

In the new global reality, Russia will steadfastly defend its national interests. Maxim Oreshkin commented that every country needed to put its interests first. And although the West may have believed in its exceptionalism, it forgot that any status is invariably backed up by trust. In attempting to isolate Russia, the West ended up isolating itself. “The sooner we realize that life is now different, the quicker we’ll be able to start work on restructuring the economy, political sphere, and social sector, and the better off we’ll be. And we’ll be able to come up with new principles, new policies, and new approaches. Based on these principles, we will negotiate with the West on new rules that need to be put in place, at least to replace today’s game, which has no rules at all,” said Andrey Kostin.

shortcomings, we have to create a non-dollar, non-currency-based form of settlement with other countries,” he said. “The dollar is not a weapon – it is a drug, and one which the whole world has been addicted to when it comes to settlements and services offered by the banking system. But the realization that it is a drug, and not an asset, is one that is grow-

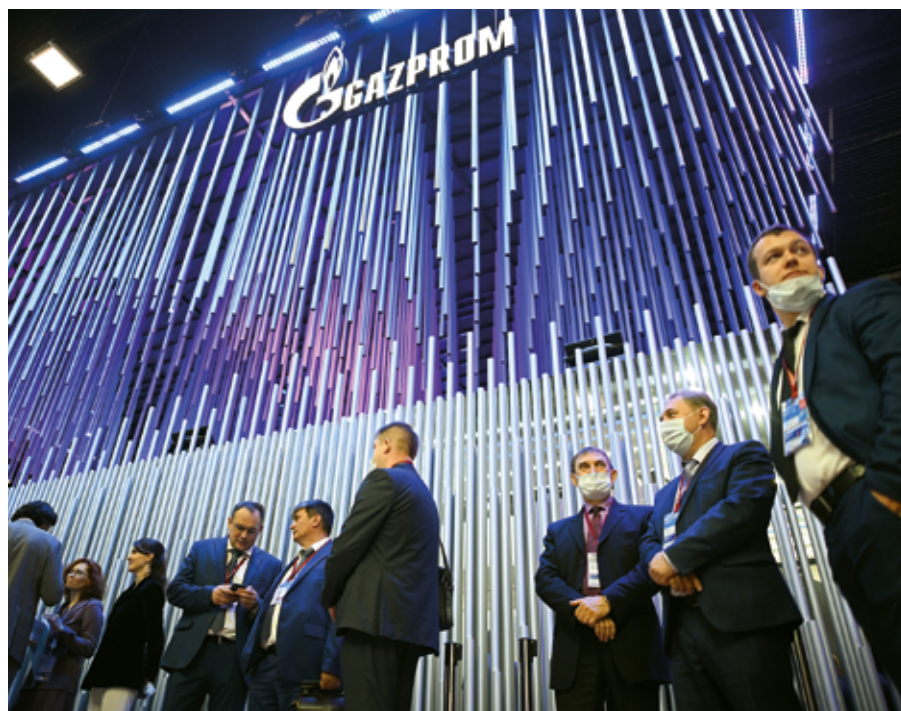


THE DEGENERACY OF SANCTIONS

Turning their attention to Western sanctions, participants at the Forum underscored the obvious: the US does not see sanctions as way of punishing a state for wrongdoing, but rather as a way of achieving geopolitical and economic objectives. According to Igor Sechin, the US is using restrictions as a magic wand to bypass established market or political mechanisms. Another person to speak on the topic was Yaroslav Kuzminov, Academic Supervisor at the National Research University Higher School of Economics and Coordinator of the Russian Federal Government Expert Council. Kuzminov noted that this was the first time in history that the West had attempted to exclude Russian and Belarusian academics from the global community. “These are fundamental changes, and are of the same magnitude as trespassing on someone else’s property,” he said. “Over the coming years, we will see how this wave of distrust in established institutions – as managed by the collective West – will play out.” Chairman of the Russian Federation Council Committee on Foreign Affairs Grigory Karasin also commented that the attack on Russia in the form of sanctions did not go unnoticed by international partners in Asia, Africa, and Latin America.

THE GLOBAL OIL AND GAS MARKET

The West’s attempt to use sanctions as a way of maintaining its dominance led to a number of changes to one of the world’s most traditional markets – oil and gas. Alexey Miller, Chairman of the Management Committee and



Deputy Chairman of the Board of Directors at Gazprom claimed that these were tectonic shifts, saying “Demand for commodities is replacing demand for currency reserves.” This, he believed, is providing a window of opportunity to reshape the global resource production and distribution system, and to supply energy more effectively and fairly. Miller went on to say that Bretton Woods II – the system which was in place until recently – assumed that the central banks of the Western nations controlled global aggregate demand through controlling the nominal value of money and setting the rules of the game. However, he pointed out that the dollar’s dominance is fading. “Settlements are being made in national currencies. Ultimately, we are witnessing a paradigm shift. Whereas the classical setup was ‘money – product – money’, now the formula ‘product – money – product’ is prevailing,” he said. “First gas was sold, then it was produced. Our product – our rules. We are not playing a game where the rules

were not made by us.”

Miller added that the ultra-high volatility seen on commodity markets and high inflation were down to the actions of foreign – and particularly European – regulators. These bodies have broken the link between oil and gas prices. Today, consumers want to go back to linking contractual gas prices to oil prices for the sake of lower prices. Miller commented that Russia would now play a major role in determining the socioeconomic structure of the new world taking shape today, and would continue to supply its friends in order to ensure energy stability.

Deputy Prime Minister of the Russian Federation Alexander Novak noted that the gas market remains balanced despite a number of destabilizing factors. At the same time, the oil market is undergoing a difficult period as it seeks to rebalance itself and redirect flows. Global demand for energy is recovering. However, reserves of these resources are declining,

not growing. Restrictions placed on supplies of Russian commodities can only disrupt the balance and lead to higher prices. Indeed, Novak noted that this year, Europe is set to pay EUR 400 billion more on energy than it did the year before.

PROTECTING ONE'S OWN INTERESTS

In the current environment, Russia's priority is still to meet domestic demand while allowing the economy to remain competitive. "The most important thing is the objective set out by Russian President Vladimir Putin, which is to achieve full gasification across the country," said Alexey Miller. At the same time, Russian energy will continue to be competitive and in demand on the global market. The

Eastern Gas Programme is being implemented and will be further accelerated. The East and West gas systems have been coupled, and talks on selling Power of Siberia 2 gas are ramping up. In terms of LNG, Russia could reach a minimum of 100 million tonnes, added Alexander Novak.

Participants noted that there was not about to be a global shift away from hydrocarbons as the main source of energy. "In 1992, hydrocarbons accounted for 81% of the global energy mix. Thirty years later, this figure is 80%. So, we can see that hydrocarbons are extremely important for the global economy, and extremely important when it comes to meeting people's needs," said H.E. Mohamed Hamel, Secretary General of the Gas Exporting Countries Forum

(GECF). Similarly, demand for Russian commodities will also persist. Representatives of the fuel and energy sector expressed their firm belief that no single country, or a single group of countries, is able to completely replace Russian exports to the European Union. Even reconfiguring supply chains and suppliers could take decades. According to Leonid Mikhelson, Chairman of the Management Board and Member of the Board of Directors at NOVATEK, the EU nations run the risk of an energy crisis as they seek to replace such a large quantity of energy. This would result in production facilities being closed, and jobs being lost.

Meanwhile, Head of Rosneft Igor Sechin claimed that Russia could become a "Noah's Ark" for the





entire world thanks to its energy resources. “Russia, with its energy potential and portfolio of first-class projects, such as Vostok Oil, can meet the world’s long-term needs for affordable energy resources and, of course, is that very Ark,” he said. Sechin pointed out that production at Vostok Oil would be increased in stages, and may reach 115 million tonnes of oil in 2033. He also noted that there were no longer any comparable projects anywhere else in the world, given that the major oil companies had been scaling back on investment all these years. “In order to eliminate just the oil deficit by 2030, the world needs an additional USD 400 billion in investment,” he said, casting doubt on whether such investment could be made in the current environment.

As well as being able to rely on its resource potential, the Russian fuel and energy sector is moving closer to achieving its aims thanks to the country’s import substitution programme, which was launched back in 2014. “This covers both the oil and gas sectors. As far as the oil industry is concerned, we are talking about fracking and rotary steerable systems. A programme to develop a large gas-fired power station in Russia is under way. Currently we have a capacity of 110 megawatts, and in 2023 we expect our company, Power Machines, to generate 170 megawatts. This is not just about the oil and gas industries, but the electric power industry, too. We already use gas-fired power stations, but we are ready to use them at 100%,” said Alexander Novak.

RENEWABLE ENERGY SOURCES AS THE WORST ALTERNATIVE

Europe’s attempt to replace Russian energy with alternative sources could end up wrecking its economy. And the reason is simple: by rejecting Russian oil and gas, Europe is becoming the most expensive region in the world when it comes to energy. What’s more, LNG from either the US or any other country will fail to make up for Europe’s losses. “Not even such big LNG producers as Australia, Qatar or the United States can boost gas production sharply,” said Igor Sechin. He went on to note that even if the US increased gas production, it would only cover 10% of the amount needed to replace Russian supplies. Europe,

he said, would have to buy up LNG from other markets, which would lead to rising prices. As a result, Europe is set to suffer from an industrial collapse and a rise in unemployment. “It will essentially be the dismantling of the social market economic model,” Sechin said.

Sechin added that for the poorest countries in Asia, Africa, and Latin America, as well as for developing nations that do not have their own affordable energy resources, sanctions equate to higher prices for fuel, energy and food. “There is a risk of famine and economic collapse,” he warned, going on to say that “The United States at the moment is the main beneficiary of the crisis due to capital inflows and the dollar's growth.” However, he predicted that Washington will also ultimately suffer from a recession and stagflation.

Alexey Miller drew attention to the fact that renewable energy sources also raise just as many questions related to environmental protection as traditional energy. Issues include the disposal of batteries and plastics, carbon emissions, and so on. What’s more, Miller pointed out that renewable energy sources require 100% of the reserve capacity of traditional energy. Andrey Ryumin, General Director and Chairman of the Management Board at Rosseti added that for renewables to be introduced, grids will need to be constructed at not just an intense rate, but perhaps even at an exponential level.

A GREEN AGENDA CRISIS

By imposing unprecedented sanctions on Russia, the West has essentially put a halt to the green

transition as they increase their use of coal and wood. In doing so, they have undermined years of global efforts to reduce carbon emissions. In addition, the West’s actions have led to an increase in civil aviation emissions as flights avoid Russian airspace – a fact highlighted by Special Presidential Representative on Climate Issues Ruslan Edelgeriyev. Igor Sechin also noted there are now other, cruder, and more radical approaches available, making the green transition no longer needed as a means of manipulating the market.

KEEPING TO RESPONSIBILITIES

Among the conclusions to emerge during discussions at SPIEF was that Russia would act in its interests and focus on sustainable development goals when addressing issues on the global environmental agenda. In addition, Russia would work to convince other countries that sanctions should not be a barrier to obtaining equipment and technology designed to reduce greenhouse gas emissions.

“The Russian Federation remains a climate-responsible state. It is implementing all the obligations it has assumed,” said Victoria Abramchenko, Deputy Prime Minister of the Russian Federation. She went on to note that in just three years since the ratification of the Paris Agreement, Russia has developed a wide-ranging legal framework covering environmental safety. “In no case will we allow us to be blackmailed with all sorts of carbon-correcting mechanisms, the rejection of coal, the transition to certain energy sources that are inconvenient for us,” added Ruslan Edelgeriyev.

“Global warming is a worldwide problem, and we will fulfil all the obligations that Russia assumed, including the ones assumed last year. <...> Ecological wellbeing is the main thing we need,” commented Ilya Torosov, First Deputy Minister of Economic Development of the Russian Federation.

A number of experts at the Forum commented on the need for Russia to push on with the decarbonization of its economy, in spite of



Europe’s antagonism, in order for the country to stay competitive. “Obviously, we are now actively turning towards Asia. <...> The expectations of our new partners will not be any different from those of the EU. We understand that a cross-border carbon tax is going to happen, and that a number of positions which remain and fall under that tax would translate to an USD 80 billion outflow from our budget from 2026 to 2050,” said Tatiana Zavyalova, Senior Vice President for ESG at Sberbank. “It is not even a question of tax regulation, which the EU plans to introduce in 2025–2026, but rather the private initiative of our customers. <...> More than 90% of the products we produce are for export, and we have to meet the requirements set by our customers,” added Vice President for Energy at Norilsk Nickel Evgeny Fedorov. Victoria Abramchenko noted that in 2021, Russian businesses invested a record amount in environmental projects – more than RUB 1 trillion. The Deputy Prime Minister highlighted the fact that one of the development goals set out by the Russian President was to create a comfortable and safe living environment – something which would be impossible to achieve without addressing environmental problems. “The Russian business community is, for the most part, environmentally responsible. It’s a trend that needs to continue,” she said.

OPPOSITION FROM THE WEST

Although Russia is working to achieve carbon neutrality, the country may not be admitted to the emerging international carbon market. “Even if we used to think that entering the carbon market

would not be a challenge – and given our resource potential, we may have thought it would even be more or less easy – we realize that in the current political, economic and international situation this market is closed for us,” warned Ruslan Edelgeriyev. In addition, the European Union is slow to recognize environmentally friendly forms of energy. As First Deputy Chairman of the State Duma Committee on Energy Valery Seleznev noted, the European Parliament recently rejected sustainable development taxonomy proposals to include nuclear power and gas, which are becoming rapidly politicized. “We hear these conversations in Europe where people say, ‘Let’s rethink nuclear power, because it’s irksome that Russia is the world leader in this field’,” said Kirill Komarov, First Deputy General Director and Director of the Development and International Business Unit at ROSATOM State Atomic Energy Corporation.

The solution, it appears, is for countries to create their own climate models and to look for partners. According to Ruslan Edelgeriyev, Russia needs to have a

sovereign climate monitoring system, and work is under way in this area. “We’ll have to develop our own technologies and our own domestic production capabilities for equipment,” added Konstantin Dolgov, Deputy Chairman of the Federation Council’s Committee on Economic Policy. Dolgov also noted that the Federation Council is working with various ministries to support these projects.

According to First Deputy Minister of Economic Development of the Russian Federation Ilya Torosov, more than RUB 10 billion has been earmarked until 2024 for Russia to develop its own global climate models. These developments are needed to maintain sovereignty during the implementation of the Carbon Border Adjustment Mechanism, which will entail large payments for a number of countries, including Russia. “Our total payment estimates for Russia for the CBAM range from EUR 40 billion to EUR 110 billion over 10 years,” noted Samvel Lazarian, Head of the Centre for Macroeconomic Research at the Financial Research Institute of the Ministry of Finance of the Russian Federation. After





2030, these estimates could grow several dozens of times over.

Jean-Claude Knebler, Head of the Sustainable Development Department at the International and Comparative Law Research Center (ICLRC) sees the implementation of climate projects as the solution. “For Russia, the most important thing is to convince the community that we are implementing high-quality projects. For that, a validation system based on high standards needs to be put in place,” he said. Knebler went on to note that this would help boost cooperation between Russia and China in the field, particularly as China is also interested in top-quality projects. In addition, a unified space offering green financing could be launched under the umbrella of the EAEU in the near future. Tatiana Zavyalova noted that Russia is largely ready for this, and that in 2021, green financial instruments were issued on the territory of the EAEU in

the amount of RUB 250 billion. This represented a several-fold increase on the previous year.

FOOD SECURITY

Issues concerning the commodities market formed a lively topic of discussion. However, the same was true of discussions revolving around meeting an even more basic need – food. On numerous occasions, participants warned of the risk of global famine as early as next year due to the policy pursued by Western nations. “The greatest challenges at the moment are related to food security and the availability of fertilizers at an affordable price. Prices for fertilizers continue to rise, and a number of other factors also threaten global security and food security. And there is a lot more to be done within the global fertilizer industry,” said Mansukh Mandaviya, Minister of Health and Family Welfare and Minister of Chemicals and Fertilizers of the Republic of India.

Victoria Abramchenko commented that a global food crisis began to emerge during the pandemic. From being a net exporter of food, the US has become a net importer. Meanwhile, China bought six times more corn during the pandemic. And this year, a number of factors related to sanctions have exacerbated the situation. These include rising gas prices – which resulted in fertilizer production being halted in a number of countries – and the sea and air blockade on Russian and Belarusian supplies of fertilizer and food. “If we don’t start selling as much fertilizer as possible right now, this summer for next season, 2022–2023 will not only be cold, it will also be very hungry. <...> Now we are talking about a special operation, a crisis that is happening now. But this is just one episode. If the necessary amount of mineral fertilizer is not applied to the ground all over the world, we will have a food crisis of global proportions,” warned Andrey Guryev,



President of the Russian Association of Fertilizer Producers (RAFP).

And the poorest countries are set to suffer most. “The humanitarian implications are of concern because we are now witnessing unprecedented hunger hanging like a cloud over a large part of the African population,” said Jean-Baptiste Thiathie Tine, Ambassador Extraordinary and Plenipotentiary of the Republic of Senegal to the Russian Federation.

There are still hopes of resolving the crisis. “We are experiencing certain difficulties in providing the necessary amount of fertilizer and so forth. But I think that by working together we can find a way out of the situation. I would like to say that in recent years Russia has become one of the most important suppliers of fertilizers to our market – 23%. That’s a serious fig-

ure,” said Rodrigo de Lima Baena Soares, Ambassador Extraordinary and Plenipotentiary of the Federative Republic of Brazil to the Russian Federation.

According to Victoria Abramchenko, the world needs a food arbiter – a new, international “Red Cross for food” which could ensure that all countries have equal access to the food market. It was a sentiment shared by Oleg Kobayakov, Director of the Liaison Office with the Russian Federation at the Food and Agriculture Organization of the United Nations (FAO). “The creation of an arbitrator presents an interesting possibility,” he said. Kobayakov also noted that the FAO receives recommendations, with one calling for the rejection of sanctions in order to overcome the food crisis.

Russia, for its part, is ready to fulfil

all its obligations in order to avoid global famine. “We can supply this food to world markets. Despite all the risk factors I have listed, we have increased exports of agricultural products by 16% in the first five months of this year,” said Victoria Abramchenko. “On the one hand, we have maintained stability domestically while at the same time increasing exports, growing our economy, and making a significant contribution to solving the world’s problems,” added Maxim Reshetnikov, Minister of Economic Development of the Russian Federation.

ATTEMPTS TO CLOSE THE WORLD OCEAN

The imposition of sanctions is having a major effect on global maritime traffic. “We are approaching <...> the nationalization of the fleets. We realize that the con-

cept of free world trade will be losing its relevance,” said Alexey Rakhmanov, Chairman of the Board and Chief Executive Officer of the United Shipbuilding Corporation. Given the current environment, Russia needs to work to ensure technological sovereignty in its shipbuilding sector. Aide to the President of the Russian Federation Igor Levitin commented that until recently, Russia was not particularly engaged in civil engineering or shipbuilding, and counted instead on integration with foreign manufacturers. It was now time, he said, to rethink this approach.

“On the one hand, we need to gain a foothold in those segments that we have already developed: mixed transport vessels, service and auxiliary vessels, technical fleet vessels, and ferries – both large ones, and ones for regional transportation. But at the same time, if we look at competencies that we have begun to develop recently, we are still extremely dependent on imports. These are fishing vessels, offshore machinery, and so on,” commented Viktor Evtukhov, State Secretary and Deputy Minister of Industry and Trade of the Russian Federation. He went on to note

that since 2014, the shipbuilding industry has received more than RUB 260 billion in subsidies. And while he said that the sector would continue to require support, “the time has come when every rouble must be accounted for. “The first core condition for successful development is a unified industrial policy covering various economic areas, a unified scientific and technological policy, with financial support measures coming at the very end of this process,” added Kirill Lipa, General Director of Transmashholding.

At the same time, Russia needs to capitalize on its natural geographical advantages, such as those offered by the Northern Sea Route. Special Presidential Representative for Environmental Protection, Ecology and Transport Sergei Ivanov spoke about attempts to exclude Russia from the Arctic – something which was, he said, a pointless endeavour. Ivanov noted that all countries of the world are equally interested in the Northern Sea Route, and Russia has no interest in preventing them from using it. He also said that Arctic vessels will have to abide by the strictest environmental

standards, given that the Arctic is the most vulnerable place on the planet.

Viktor Evtukhov also pointed out that in addition to nuclear-powered icebreakers, 32 large Arctic-class vessels are currently on order in Russia. In addition, steps are being taken to develop supporting infrastructure, including ports.

THE SITUATION WITH FOREIGN INVESTMENT

Despite Russia’s pivot East, the Forum also served to demonstrate that Western companies continue to operate in Russia, no matter what Western media outlets may have claimed. For example, Robert Agee, President and Chief Executive Officer of the American Chamber of Commerce in Russia noted how only 11% of his organization’s members have left Russia. “Four per cent are still deciding whether or not to go. That means 85% remain in Russia. Of these, 12% are cutting back on operations while 6% are expanding their business in Russia,” he said.

The situation regarding European businesses is similar. “In general, Italian companies have not left Russia. This means that, in the main, companies are doing sustainable business here. They are expressing a desire to continue cooperating with Russian companies, to remain in the Russian market,” said Alfredo Gozzi, General Director of the Confindustria Russia Association. President of the French-Russian Chamber of Commerce and Industry Emmanuel Quidet noted that one reason for this was that companies maintained a sense of responsibility towards their employees. For those



that remained, the main problem was making transnational money transfers. The view was expressed that the government needs to support safe forms of interaction which circumvent the current sanctions.

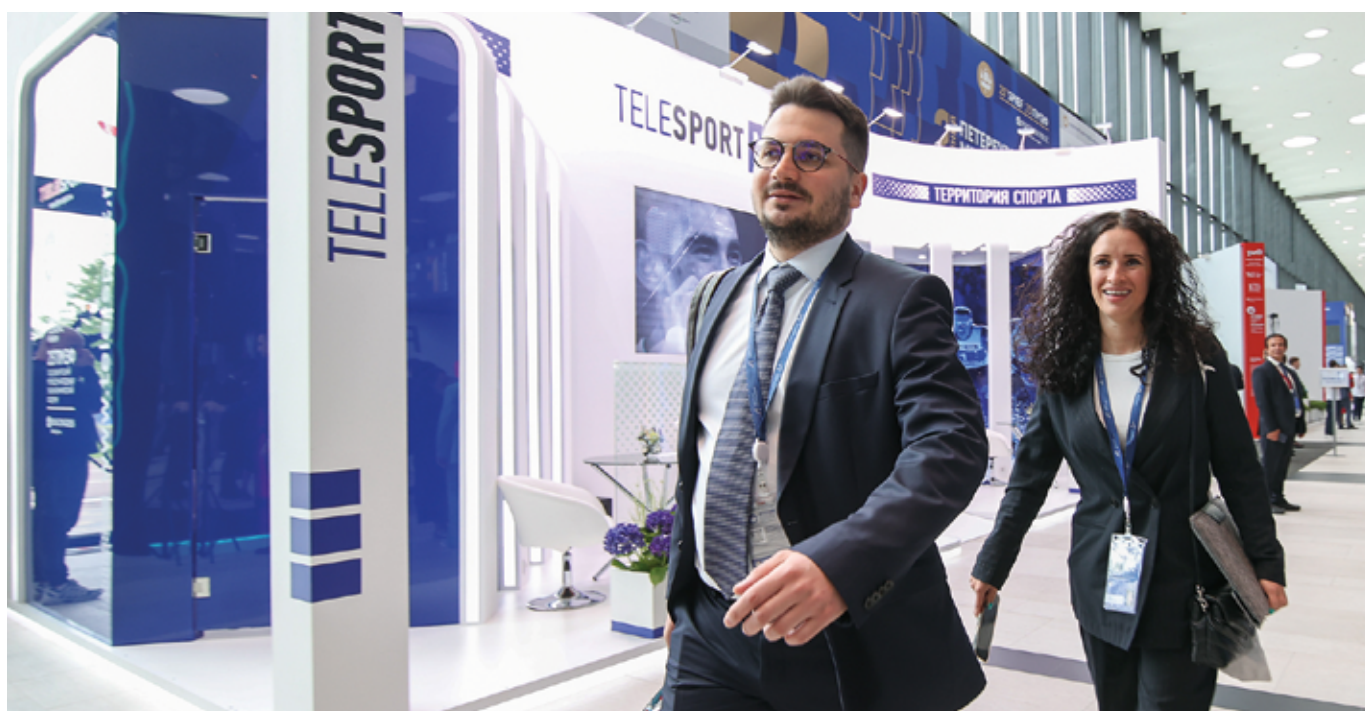
“We recently conducted a survey among a range of companies which revealed that European businesses are currently experiencing their most difficult period since arriving in Russia. We are grateful that during this difficult time, we are being offered support and see a willingness on the part of the [Russian – *ed.*] authorities to continue working with us. Of course, [European businesses – *ed.*] intend to have a presence in Russia – a fact also clearly demonstrated by our survey. We are delighted to say that businesses believe that the Russian economy has good potential over the longer term – over the next decade – and that they are retaining their interest in it. This gives us hope, and we will continue to work here as a result,” said Tadzio Schilling, Chief Executive

Officer of the Association of European Businesses (AEB).

Speaking at the Forum, representatives of business associations expressed their belief that Russian businesses could not be excluded from the global business community forever, and that rational dialogue would resume. However, in certain industries, the loss of even one or two suppliers could prove disastrous. According to Nikolai Dunayev, Vice President of the OPORA RUSSIA All-Russian Non-Governmental Organization of Small and Medium-Sized Businesses, 60% of Russia’s agricultural exports are based on the work of small and medium-sized enterprises. These companies now have to deal with a refusal by Western equipment suppliers to fulfil their obligations. “The result is catastrophic since this is a price spike, and there is inflation raging across the planet as 35–40% of fertilizers throughout the world come from Russia and Belarus. Here it is not the sanctions themselves that are hitting hard but the chain of events

triggered by the sanctions”, added Robert Agee, President and Chief Executive Officer of the American Chamber of Commerce in Russia.

At the same time, Russian business representatives have called for a balanced approach to any responses. One figure to comment on this was Sergey Krasilnikov, Vice President and Managing Director of the International Relations and Integration Directorate at the Russian Union of Industrialists and Entrepreneurs. Krasilnikov commented that aspects related to parallel import needed to be addressed in such a way as to improve – rather than worsen – conditions for existing investors. Nikolai Dunayev added that Russia needed to maintain its openness to foreign businesses, noting that this would help restore business ties in the future. He cited the example of Russia deciding not to introduce a tit-for-tat ban on European long-distance HGV drivers entering Russia.







AN EVOLVING WORLD ORDER

The contradictions which have accumulated in the Western model of globalization over the past few decades have led to the unfolding global crisis. One of the main challenges facing Russia in the current environment is to maintain and develop friendly international ties and identify new ways of working with partners in a multipolar world. Fyodor Lukyanov, Academic Director at the Foundation for Development and Support of the Valdai Discussion Club and Chief Editor of *Russia in Global Affairs* journal noted that sanctions have become a means of waging

war rather than an alternative way of managing international relations. He went on to note that the processes under way in the global economy have become like a landslide, and it has become difficult to make predictions. However, the new system will be made up in part of blocks and elements remaining from the old one, he claimed. "In recent times, the world has come up against a whole series of such global challenges. Some are calling this a perfect storm, others use different epithets, but this is definitely not the end of the story," agreed Vladimir Chizhov, Ambassador

Extraordinary and Plenipotentiary, and Permanent Representative of the Russian Federation to the EU.

Wang Wen, Executive Dean at the Chongyang Institute for Financial Studies (part of the Renmin University of China) commented that the collapse of globalization was a tragedy for the entire world. It has damaged the global division of labour and global production, and has essentially set back the development of humanity. "We speak of the need to develop our own aviation industry, for development in aviation and engineering, and of





the need to become independent of the USA. And, at the same time, we talk about equal cooperation, collaboration. We have stopped being a closed economy, stopped being a self-sufficient economy, but it is also necessary to ensure a sufficient level of openness in order to use all the advantages existing within the framework of a big market,” he added. According to Jacques Sapir, Director of Studies at the École des Hautes Études en Sciences Sociales (EHESS), the pandemic was the “last nail in the coffin” of globalization. As Vladimir Chizhov noted, humanity missed its last historic chance to see off a common enemy collectively – an enemy with no ideology or any resources. Instead, there was a vaccine race.

Lukyanov, meanwhile, added that the main contradiction within the new world system lies in people recognizing the importance of self-sufficiency along with the inevitability of cooperation. “What will help us survive in the given situation? International cooperation, scientific technologies and international corporations are exceptionally important and people should, I believe, be reminded of this,” said Rasigan Maharajh,

Chief Director of the Institute for Economic Research on Innovation (IERI) at Tshwane University of Technology. According to Wang Wen, a so-called Indo-Pacific strategy is currently taking shape. This strategy recognizes the need to avoid war and US hegemony, while acknowledging that developing economies need to attain a high level in new technologies, ensure self-sufficiency, and maintain close ties for cooperation.

NEW FINANCIAL BRIDGES

One of the first areas to be hit by Western sanctions (and not only in Russia) was the financial sector. Participants at SPIEF shared the conviction that Western sanctions affecting movement of capital would remain in place for a long time to come. “In cutting off payment channels, the Western world is essentially appropriating financial resources,” said Delcy Rodríguez Gomez, Executive Vice President and Minister of People’s Power of Economy, Finance and Foreign Trade of the Bolivarian Republic of Venezuela.

At the same time, these sanctions have served to destabilize the

monopolistic position of Western systems such as Visa, Mastercard, and SWIFT. As a result, a window of opportunity has been created for the creation of national payment systems. “Venezuela was practically under blockade. Various sanctions were imposed on the country, especially in 2018. Our response was that we applied national policies and started to develop our own payment systems. <...> Now we can ensure that all our citizens can make payments every day,” said Calixto José Ortega Sánchez, President of the Central Bank of Venezuela.

Alberto Quiñones Betancourt, Director General for System Technologies and Development at the Central Bank of the Republic of Cuba commented that the bank was working on making Mir payment system cards work in the country. He expressed his hope that the system will be fully adopted by the end of the year. “We have to go to the global electronic space, and ensure that all the transactions that our citizens make are paid. We are far advanced in talks with our partners from Russia, Turkey, and China”, added Calixto José Ortega Sánchez.

Deputy Governor of the Central Bank of the Republic of Turkey Emrah Şener saw potential in honest and mutually beneficial cooperation. He expressed the belief that open payment systems – for digital currencies, for example – could facilitate this. CEO of the Egyptian Banking Company (EBC) Tarek Raouf also saw the solution lying in a new world order involving new technologies and standards. Alberto Quiñones Betancourt commented that the Central Bank of Cuba was working on digital currencies.

“We are really struggling to find these payment channels that would be acceptable, understandable, and independent of third countries. <...> We are facing this problem now – it is not easy, and it goes far beyond retail payments and payment systems,” said Chairman of the Board and CEO of the National Payment Card System Vladimir Komlev.

EQUAL PARTNERSHIP

Given that the West has rejected the idea of equal partnership, it has become critical for Russia to support and foster relations with countries which have maintained a neutral or friendly attitude. Belarus offers an unprecedented example of friendly relations. “It is clear to everyone today that there are only two fully Russian-speaking countries in the world – Russia and Belarus. And that construction of a sovereign Belarus and a Belarusian nation was carried out all these years in Russian. <...> We all understand intuitively that we find ourselves in a common mental space,” said Nikolay Snopkov, First Deputy Prime Minister of the Republic of Belarus. “What we are doing is objective in its essence, specifically the drawing together of our countries, the coming together of our peoples and, at the same time, each of the countries retains its identity and sovereignty”, added Alexey Overchuk, Deputy Prime Minister of the Russian Federation.

The Eurasian Economic Union (EAEU) has also proven to offer a robust framework for cooperation. “Our intergovernmental organization has proven to be robust and capable of overcoming crises,” noted Akylbek Zhaparov, Chairman of the Cabinet of Ministers of the Kyrgyz Republic and Head



of the Presidential Administration of the Kyrgyz Republic. “Joint development through integration is what I think represents the natural and correct path,” added Dmitry Volvach, Deputy Minister of Economic Development of the Russian Federation.

Nevertheless, it was acknowledged that the EAEU needs to evolve. “What is happening today is, in fact, a big stress test, which highlights the issues that we have touched upon, but have not addressed at the proper pace, or haven’t addressed at all,” said Mher Grigoryan, Deputy Prime Minister of the Republic of Armenia. “If, looking ahead, we are expecting that the EAEU must act to a certain extent as a central hub for integration in relation to the Greater Eurasian Partnership, then we absolutely need to expand the scope of the union’s treaty,” added Mikhail Myasnikov, Chairman of the Board of the Eurasian Economic Commission. In addition, according to Bakhyt Sultanov, Deputy Prime Minister and Minister of Trade and Integration of the Republic of Kazakhstan, it is vital first and foremost to enable the economies to restructure together.

Cultural and humanitarian aspects are key to making progress in this area, given that they can bring different peoples together. No less important is the establishment of new and fully-fledged development institutions. “There is a project entitled Digital Technical Regulation which is of particular importance in the EAEU. We think that this platform specifically will help streamline relations between states in terms of accreditation, assessing conformity, government control, and oversight. This will also provide businesses with additional opportunities to respond quickly to the latest product requirements,” said Dmitry Pumpyansky, Vice President and Member of the Management Board at the Russian Union of Industrialists and Entrepreneurs. “We need to implement genuine joint ventures – not only in industrial sectors involving the establishment of joint enterprises, but in terms of introducing tools and mechanisms for supporting exports from our union,” added Akylbek Zhaparov. Mher Grigoryan also noted that issues related to currency exchange needed ironing out.

LOOKING TO THE SOUTH-EAST

“We are actively looking for new trading partners in other parts of the world, and, incidentally, we have found them in Iran, India, Egypt, and China. And all of this leads to the fact that we can already see from the statistics that there is a reorientation of commodity and cargo flows from the West to the East, and this is a very serious shift,” noted Alexey Overchuk. The vast potential for Russia to work with African nations was highlighted by Yahya Elwathik Bellah Abdelmoneim Ahmed, First Undersecretary and Head of the Egyptian Commercial Service at the Ministry of Trade and Industry of the Arab Republic of Egypt. He also expressed the belief that Egypt could become a hub in this regard. What’s more, he noted that all 54 African states are prepared to sign a free trade agreement. This will in turn boost the potential to establish a free trade zone in Egypt, which could be used to further foster relations between Russia and Egypt.

“The agreement [on free trade between Egypt and the Eurasian Economic Union, – *ed.*] is at the final stage. It will give a bigger impetus to trade, expand the product mix and lower the barriers among our countries joining this agreement,” said Denis Manturov, Minister of Industry and Trade of Russia (on 15 July 2022 Vladimir Putin signed an executive order appointing Manturov Deputy Prime Minister and Minister of Industry and Trade of the Russian Federation). Meanwhile, Chairman of the Russian-Egyptian Business Council Mikhail Orlov noted the huge potential for supplying agricultural goods to Egypt, and for

Egypt to supply pharmacological products to Russia. It was a view that was shared by Mohamed Kassem, Chairman of Expolink – the Egyptian Exporters Association. “Medications and chemical products can be among those things Egypt can use to enter the Russian market, unlike agricultural products,” he said.

Gilberto Da Piedade Verissimo, President of the Commission of the Economic Community of Central African States (ECCAS), drew attention to the fact that many African nations got their political independence with Russia’s support. Today, he commented, the very same countries needed Russia to support their economic independence. Prime Minister of the Central African Republic Felix Moloua added that dialogue was needed to develop mutually beneficial cooperation between Russia and African nations. New mechanisms to support and strengthen interregional cooperation also needed to be put in place, he claimed.

THE ROLE OF THE SCO

The Shanghai Cooperation Organisation (SCO) was another body which has proven to be effective at fostering cooperation across a range of areas. Bakhtiyer Khakimov, Special Representative of the President of the Russian Federation for SCO Affairs commented that additional opportunities and openings are emerging which can help move the SCO to a new orbit of development. The organization has won global recognition as a universal trans-regional association whose activities cover every sphere, including politics, security, economics and humanitarian ties. “The principles underpinning

the SCO are in great demand the world over,” said Grigory Logvinov, Deputy Secretary General of the Shanghai Cooperation Organisation. He went on to note that the time had come to convert the accumulated potential of economic partnership into specific business projects. “In this regard, a great responsibility lies with the SCO’s financial and economic non-governmental structures: its Business Council and Interbank Consortium,” he said. Rashid Alimov, Professor of the Taihe Institute and Secretary General of the Shanghai Cooperation Organisation (2016–2018) noted that around 40 documents devoted to issues of trade and economic cooperation are expected to be adopted at the end of the upcoming SCO summit.

The participants concluded that rapid progress is being made in integrating the EAEU, ASEAN, and the SCO’s projects, including in transport. “In this situation, striving to develop our organizations, we should seek mutual support, create the necessary conditions for cooperation, listen to one another’s opinions and cooperate on a productive basis. We should also look for the best forms of official cooperation and new mechanisms for building a multilateral dialogue,” said Zhang Ming, Secretary General of the Shanghai Cooperation Organisation. In order to achieve this, support is naturally required from both the public and private sectors – particularly in terms of technical regulation and payment systems.

RUSSIA – CHINA

Relations between Russia and China are developing at a high level. This was unequivocally

attested by the fact that President of the People's Republic of China Xi Jinping made an address to Forum participants via video link. He commented that the growing trade between China and Russia indicated that cooperation between the two countries was resistant to stress, and that further potential existed. Indeed, trade in the first five months of the year grew by almost 30%, reaching USD 65.8 billion. Xi Jinping called upon Forum participants to work together to tackle the food and energy crises in order to bring about global economic recovery. According to Zhang Hanhui, Ambassador Extraordinary and Plenipotentiary of the People's Republic of China to the Russian Federation, relations between the two countries have entered their best period in history, despite the difficulties posed by the pandemic, global economic recession, and turmoil in international markets.

"Of course, the most important aspect of relations with China right now is the attempt to replace departing Western partners from unfriendly states with partners from the People's Republic of China and the Asia-Pacific region as a whole. Obviously, this is where we should be able to make a fairly quick recovery of expenditures and losses associated with the departure of our Western partners," commented Alexander Shokhin, President of the Russian Union of Industrialists and Entrepreneurs. Russia has managed to weather six waves of sanctions. However, Vice President of the Chamber of Commerce and Industry of the Russian Federation Vladimir Padalko noted that this was no reason to feel euphoric. He predicted that sanctions would continue to ramp up, and that it would be vital to pre-

pare for a ninth wave, which will come "when people start to see China as Russia's main trader."

Another problem remains the fact that Chinese corporations and banks need to maintain their standing in global markets and avoid the risk of secondary sanctions from the West. What's more, small and medium-sized enterprises often lack experience in foreign trade, and Chinese is not at all widely spoken in Russia.

THE DEVELOPMENT OF BRICS

Another conclusion to emerge from discussions at the Forum was that effective steps continue to be taken under the BRICS umbrella (encompassing Brazil, Russia, India, China, and South Africa) to address issues on the global and regional agenda. More than 3 billion people live in the BRICS nations, which account for around a quarter of global GDP. Indeed, Vladimir Putin has stressed on more than one occasion that the association's member states offer enormous political, economic, technical and human potential. This in turn is providing the association with every opportunity to work towards attaining international stability and security, sustainable growth and prosperity, and better lives for the population. "BRICS was established precisely for the circumstances which we see today. The organization enables us to foster trade and economic relations, and respond to today's fundamental geopolitical and financial challenges. We are now in a period of uncertainty, so trade and investment relations under the BRICS umbrella are incredibly important," said Anil Sooklal, Sherpa of the Republic

of South Africa in BRICS. Official Representative of the Ministry of Foreign Affairs of the Russian Federation Maria Zakharova added that Russia expects cooperation with the BRICS nations to involve a constructive exchange of views on all key issues on the current agenda. There are good prospects for forging strategic partnerships across three main areas, she claimed. These include policy and security, economics and finance, and cultural and humanitarian ties.

South Africa's Sherpa in BRICS drew attention to the fact that "fantastic structures for organizing cooperation" had been put in place over the last 10 years. "We work across various branches on a number of economic fronts. This work involves ministries of different industries, tourism, and agriculture. This framework has been created at the level of government. In terms of the private sector, 10 years ago we established the Business Council. And during Russia's chairmanship in 2020, ties were also forged between a number of women's organizations. We have developed a five-year plan for partnership under the BRICS umbrella, as well as a second plan under Russia's chairmanship," said Anil Sooklal.

Maria Zakharova also drew attention to the launch of the BRICS vaccine research and development centre, the start of work on a satellite fleet for earth remote sensing, and the completion of work on a customs agreement between the BRICS nations. Director of Uniao Quimica Rogerio Rosso commented that his company was the first in Latin America to produce a COVID-19 vaccine thanks to its partnership with the Russian Direct Investment Fund and the

Gamaleya Research Institute of Epidemiology and Microbiology. At the same time, Director General of Chilean company Robotics Lab Rodrigo Quevedo added that Russia and Latin American countries had already embarked on a path of development in robotics. “If we want to deepen and strengthen relations, and transfer cutting-edge technology, then the next step is not only to talk about business. We must also talk about cultural areas, students, and other areas of cooperation,” he said.

In the meantime, the West’s disregard for the interests of other countries and its sanctions against Russia are already leading to problems in healthcare, food, and energy. “We have very often been denied access to vaccines. We have seen the devastating impact of climate change, and see that many developed nations are not

willing to share technology with us in order to overcome the problems. Our President has spoken of how we have already faced issues related to food security, and have appealed to Russia to help solve this problem,” said Sherpa of the Republic of South Africa in BRICS Anil Sooklal.

Brazil is experiencing similar problems. The country is one of the main buyers of Russian fertilizer, and the biggest buyer in Latin America. Mikhail Sterkin, Marketing and Development Director at PhosAgro commented that Greece and Turkey are the two principal countries that ship fertilizer to Brazil and Latin America in general. However, the West’s sanctions have led to there being very few vessel owners who are willing to enter Russian ports and then ship fertilizer around the world. “Supply chains and supply guaran-

tees are being broken, producers are facing overstocking in ports, and all this results in food insecurity,” Sterkin said. “Agriculture is a vital sector in ensuring food security and providing jobs. <...> Food security is very important on the global agenda and BRICS countries must also concentrate on this to the maximum. This must be our group’s absolute priority,” added Busi Mabuza, Chair of the Industrial Development Corporation of South Africa.

BRINGING CONTINENTS TOGETHER

Other countries are also showing interest in working within the BRICS+ format – a fact demonstrating how effective the organization has been at building partnerships. Many of these are countries in Latin America, as pointed out by Alexander Shchetinin, Director of





the Latin American Department of the Ministry of Foreign Affairs of the Russian Federation. Ivan Adolfo Acosta Montalvan Acosta, Minister of Finance and Government Loans of the Republic of Nicaragua noted that Latin American nations traditionally had strong ties with the US. However, this had not resulted in economic prosperity, and the time had now come to change priorities. The minister went on to say that Latin America needs to urgently pivot towards Eurasia. “Why is that? As [Latin America – *ed.*] is a major importer of food and technology, we need Eurasia and Latin America to work together,” he commented. Ivan Acosta also said that Russia should invest more in Latin America, as this would create major opportunities for all.

“The world is transitioning to a new global economic order, but its core has already been formed – it is Southeast Asia. <...> Of course, Latin American countries need to take part in the formation of this

new core of the global economy,” noted Sergey Glazyev, Member of the Board and Minister in Charge of Integration and Macroeconomics at the Eurasian Economic Commission. “It is important for us to build relations based on pragmatism, economic complementarity, and mutual benefit,” added Alexander Shchetinin.

Meanwhile, Anil Sooklal commented on South Africa’s upcoming chairmanship of BRICS in 2023. He said that the country would examine “expediting interaction processes in trade, expanding the format of BRICS, and signing a free trade agreement for Africa.”

AN EXAMPLE OF PARTNERSHIP

Russia has also been working together with other countries at an unprecedented level. “We believe that relations between Iran and Russia have now entered a new phase, a new stage. And I don’t think there has been a time in

history that Iran and Russia have been so close as in recent years. This is a big historical moment which we should take advantage of,” said Kazem Jalali, Ambassador Extraordinary and Plenipotentiary of the Islamic Republic of Iran to Russia. Russian Presidential Aide Andrey Fursenko added that a number of specific projects have been launched covering agriculture, new materials, and pharmaceuticals. General Director of the Russian Export Center Veronika Nikishina commented that Iranian companies could “absolutely” step in to fill the positions lost by foreign companies in Russia’s production chains. To date, high import duties in Iran have hindered the development of partnership. However, work is already under way on a free trade agreement between Iran and the EAEU. Work is also continuing apace on the North–South Transport Corridor, which is directly incorporating Russia’s port capacities and the potential of the Volga-Caspian Canal.

NEW OBJECTIVES AND HORIZONS FOR RUSSIA



SPIEF hosted a number of sessions dedicated to Russia's development. Participants discussed the challenges facing the country's economy, and the increasingly pronounced role played by imports. They also examined the consequences to arise from fluctuations in the rouble's value. One of the main conclusions to emerge was that the economic and geopolitical situation would never be the same again. "There are no other options here. The more quickly managers at different levels – in the public sector, in the private sector – realize this, the more quickly they'll be able to create a strategy from a new understanding of what is happen-

ing, and the better off our country will be," said Maxim Oreshkin, Aide to the President of the Russian Federation. It was a sentiment shared by Minister of Economic Development of the Russian Federation Maxim Reshetnikov. "The situation has changed dramatically. If the task with COVID was to wait it out, and somehow or other we knew that the world would be different after COVID, though it would generally be similar, we understand that in this situation the degree to which we'll see any similarity will be very different," he said. "External conditions will really be different for some time to come, if not forever," added Elvira

Nabiullina, Governor of the Central Bank of the Russian Federation.

SIX PRINCIPLES FOR ECONOMIC DEVELOPMENT

Speaking at the plenary session, Russian President Vladimir Putin set out six principles for the development of the Russian economy, with the main one being that Russia "will never follow the road of self-isolation and autarky". He also highlighted entrepreneurial freedom: "Every private initiative aimed at benefiting Russia should receive maximum support and

space for implementation.” In addition, a well-balanced macroeconomic policy will be key to further growth. The country would not “follow in the footsteps of our Western colleagues by replicating their bitter experience setting off an inflation spiral and disrupting their finances.” Social justice was highlighted as being no less important, and should in turn foster demand for Russian-made products across the country. This will help bridge the gap between regions in terms of their capabilities, and create new jobs where they are needed the most. The accelerated development of infrastructure will also play a role in driving regional development. “We have scaled up direct budget spending on expanding transport corridors. An ambitious plan for building and repairing the federal and regional motorway core network will be launched next year,” said Putin. In addition, the President announced the launch of a new, comprehensive modernization programme for the housing and utilities sector. The final aim is securing technological sovereignty. “We need to develop all areas of life on a qualitatively new technological level,” said Putin.

PROSPECTS FOR MACROECONOMIC POLICY

The sanctions imposed on Russia came as an unprecedented shock. “Countries that have imposed sanctions against Russia account for 56% of exports and 15% of GDP is at risk,” said Head of Sberbank Herman Gref. He went on to comment that Russia faces a major challenge: to make the transformational leap it’s been trying to make for decades. However, he also drew attention to the Russian economy’s “extraordinary flexibility”. “Nobody expected that Russia would restructure and realign itself to the new situation in such a short space of time... This has happened largely as a result of the economy acquiring unparalleled experience over the years.”

The quality and speed of economic growth will depend on the effectiveness of economic policy. “The structure of the economy will change. We really can efficiently produce and supply minerals, metals, and chemicals. <...> We need to keep doing what we are capa-

ble of doing efficiently and look for partners to import machines and equipment,” said Minister of Economic Development of the Russian Federation Maxim Reshetnikov. He went on to say that there was no need to start slashing government programmes and national projects, as these investments will pay off. Reshetnikov also pointed out that it wouldn’t be possible to redirect all export flows to other markets. Oil, for example, is moving east, but at the cost of reductions in coal shipments. “The most serious constraint is on logistics. There has been a drop in maritime traffic, and a six-fold drop in container traffic. We can see a less rational reallocation of logistics to road transport and, of course, huge difficulties with air traffic,” added Herman Gref.

Members of the business community also pointed to currency restrictions. Alexey Mordashov, Chairman of the Board of Directors at Severstal commented that at the current exchange rate, exporting has become unprofitable for Russian companies. This was one of the reasons why steel production had plummeted by 25–30%, and the forest resource industry by 80%, he claimed. In the latter instance, Mordashov was particularly referring to Sveza – the world’s biggest producer of plywood. “We need to stabilize the situation, and understand what the exchange rate is. We can sell more to the East, but at the moment we are primarily being held back by the exchange rate. If the interest rate is lowered, then according to calculations, we would have more of an incentive in terms of when projects would start to pay off. This would encourage us to invest. We are ready to invest, but the mac-





roeconomic situation needs to be favourable,” added Mordashov.

Head of the Central Bank of the Russian Federation Elvira Nabiullina agreed that a range of currency restrictions needed to be gradually relaxed. She added that this would happen as the economic situation normalizes. For example, when investors sell shares in foreign companies, they will be able to send the money to accounts outside Russia. However, there are no plans to lift restrictions on cash in foreign currency, given that tough sanctions have been imposed on bringing it into the country.

Russian Presidential Commissioner for the Protection of Entrepreneurs’ Rights Boris Titov proposed setting zero interest rates and zero import duties on purchases of equipment from abroad. It was a sentiment shared by Minister of Finance of the Russian Federation Anton Siluanov, who said that tax incentives were needed for producers of products which are now less plentiful in the market. He also spoke of the need to help importers with subsidies.

Siluanov commented that RUB 3 trillion in excess of the original plan had been allocated for these purposes, with businesses set to benefit from another RUB 1.6 trillion in aid provided in the form of tax and insurance deferrals.

Andrey Makarov, Chairman of the State Duma Committee on Budget and Taxes highlighted the fact that as of 1 May, companies have RUB 43.2 trillion in their accounts, with RUB 26 trillion in deposit accounts. “Businesses are averse to risks. The only money they are willing to risk is the government’s,” he said. “This is a major issue for the economy, because if nobody spends any money, then there is no demand, production falls, and so on,” agreed Maxim Reshetnikov.

That said, it emerged from discussions that the Russian economy has excellent potential and a margin of stability. “The events happening now, and how the state, how business reacts, how people react to the situation in the economy, show that we have coped successfully, that we are a strong country, we are strong people, we can solve problems, we can

achieve results,” said Maxim Oreshkin, Aide to the President of the Russian Federation. “National debt is low, and we have plentiful reserves for a situation such as this. We had principles and rules in place. In the current environment, we are easing the budget so as to help people and businesses,” added Anton Siluanov.

SOCIAL RESPONSIBILITY

According to the Ministry of Economic Development, GDP may decline by less than the 7.8% forecast, and could instead be closer to 5%. This is despite the fact that GDP decline was forecast to be 8.8% back in April. That said, in the current situation, Russian economic officials do not consider GDP to be the only means of assessing national development. “Welfare objectives are no less important than formal GDP growth,” said Maxim Oreshkin. “The second important thing is the distribution of this welfare, of wealth among people. Inequality is more than just a social problem: it is an economic problem. <...> So, GDP is a good indicator, but it is not the only one. And we need to look at what measures quality of life,” agreed Elvira Nabiullina. According to Anton Siluanov, two indicators are important when assessing the welfare of the population: inflation and employment. These offer a comprehensive view of how well the economy is running.

Deputy Minister of Labour and Social Protection of the Russian Federation Elena Mukhtiyarova noted that unemployment in Russia reached a historic low of 4% in April. She went on to say that the departure of foreign companies from Russia had no significant effect, as little actually changed



other than ownership. Mukhtiyarova also drew attention to the Russian Ministry of Economic Development's forecast of 6.7% unemployment in summer, saying that this could well be revised down. As Vladimir Putin underscored at the plenary session, "Step by step, we will normalize the economic situation. <...> The dire forecasts for the prospects of the Russian economy, which were made as far back as spring, have not materialized." He further reinforced this point by commenting that the government has "suppressed inflation rate spikes". After hitting its peak, inflation went down, and is continuing to drop. Meanwhile, the budget surplus in May was four times larger than it was the year before.

Putin also noted that experts were examining the threat of deflation, "because the inflation rate was 0.17 percent over the past

few months, which means that it is moving towards zero." Deputy Governor of the Bank of Russia Aleksey Zabolotnikov gave his assurances that Russia was not currently at risk of deflation, especially given that prices were increasing annually by 16.7%. However, not everyone shared this view, with Maxim Reshetnikov strongly disagreeing with this assessment. "We are in our fifth week of deflation. There is no need to measure inflation year on year. <...> We are absolutely sliding down a deflation spiral," he claimed, adding that this would lead to there being less money in the economy, lower levels of production, and lower prices.

INTERBUDGETARY SUPPORT

Substantial support was provided to regional budgets in order to overcome the crisis. "The Ministry of Finance has offered a great deal

of support, and has recently been indexing it, too. This means that essential services can be provided," said Vladimir Efimov, Deputy Mayor of Moscow for Economic Policy and Property and Land Relations. "The Ministry of Finance is working to keep things going in the regions. And essentially, by taking into account certain algorithms, we are able to understand and forecast our state of affairs," added Governor of Nizhny Novgorod Region Gleb Nikitin.

However, other regional government representatives pointed out that in the context of the current situation, interbudgetary relations require fine tuning, especially given the fact that different regions have different financial capabilities. For example, Governor of Chelyabinsk Region Alexei Tekstler pointed out that there was decreasing demand for steelmakers in the region, and that profit

margins were suffering due to the exchange rate. This in turn has resulted in less money being contributed to the public coffers. Gleb Nikitin, meanwhile, drew attention to a fall in lending and investment, which have led to a reduction in revenue for his region. Chairman of the State Duma Committee on Budget and Taxes Andrey Makarov commented that a review of budgetary and interbudgetary policy was required. This should focus on efficiency and boosting purchasing power in the regions. “When there is the risk that private investment will go down, it’s vital to increase public investment. There is the Infrastructure Menu, which needs to be indexed. <...> An interbudgetary menu should also be offered to the regions. There are regions which don’t have the same opportunities as others. More funds should be earmarked for them, and they should be helped onto their feet,” added Alexei Teksler.

THE REGIONAL INVESTMENT CLIMATE INDEX

When it comes to investing in regional projects, participants at the Forum highlighted the importance of choosing the most effective option providing the greatest multiplier effect. A key resource in this regard is the Russian Regional Investment Climate Index, which the Agency for Strategic Initiatives has published since 2014. The results of this year’s index were announced at the Forum, and again provided an insight into how the investment climate has improved in regions across the country. “In spite of the difficult two years we have had, both in terms of the economy and business, the composite index, which indicates

improvement across the entire country, rose by 10 points compared to the year before. In addition, 70% of the indicators that make up the basis for the ranking showed an improvement,” said Head of the Agency for Strategic Initiatives Svetlana Chupsheva. Of particular note was the fact that business satisfaction with both financial and non-financial government support measures grew, along with the quality of regional legislation aimed at protecting the rights of investors.

Coming top of the rating were Moscow, Tatarstan, and Moscow Region. Tula Region came fourth, while five regions shared fifth place: the Republic of Bashkortostan, Nizhny Novgorod Region, Tyumen Region, Novgorod Region, and Sakhalin Region. Sixth place was shared between St. Petersburg and Khanty Mansiysk Autonomous Area, while Kaluga Region, Belgorod Region, and Crimea came seventh. Krasnodar Territory was placed eighth, and was followed by Chelyabinsk Region, Samara Region, Leningrad Region, Lipetsk Region, and Ivanovo Region in ninth. Completing the top ten

places were Yaroslavl Region and Tambov Region. First Deputy Prime Minister of the Russian Federation Andrei Belousov commented that the “main result of the rating is the investment figure”. According to the Federal State Statistics Service, investment in the Russian Federation’s fixed capital grew in the first quarter of 2022 by 12.8% compared to the same period the year before, and reached RUB 4 trillion.

In addition, the rating demonstrated that the level of pressure experienced by businesses continued to decrease as coronavirus-related restrictions were partially lifted and the moratorium on inspections was extended. Notably, Prosecutor General of the Russian Federation Igor Krasnov pointed out that 2022 was set to have a record low number of business inspections compared to recent years. “In terms of the work done by oversight bodies, my overall position is unchanged – there should be fewer inspections. <...> And we will achieve this by all legal means available to us,” he stressed. As Vladimir Putin commented at the Forum plenary session, there





is now “every reason to abandon, for good and on a permanent basis, the majority of audits for all Russian businesses, except on risky or potentially dangerous activities.” The President also instructed the government to determine specific parameters for such a reform in the next few months.

VOLUNTARY PREVENTION

A reform of how audits are conducted is currently under way, with the focus being on making audits less of a burden for businesses, and more of a tool to provide assistance and prevent potential issues. “An audit is simply a tool for encouraging us all to keep to the rules. Not just to observe them but to do so voluntarily,” said Dmitry Grigorenko, Deputy Prime Minister of the Russian Federation and Chief of Government Staff. “We will reach the moment when entrepreneurs will themselves ask for control measures as these eliminate risks for them,” added Alexander Kalinin, President of the OPORA RUSSIA All-Russian Non-Governmental Organization of Small and Medium-Sized Businesses. Grigorenko went on to say

that the current audit moratorium should be used to restructure the way audits are conducted as much as possible. “We have at least 318,000 rules and regulations that businesses have to observe. <...> A third of the rules have been recognized as outdated and cancelled, a third have been updated and a third deemed inappropriate. Bringing order to the regulatory framework alone saves about RUB 200 billion a year,” he stressed.

DEVELOPING REGIONAL INFRASTRUCTURE AT AN ACCELERATED PACE

Construction and upgrading infrastructure are key areas of regional investment, and have benefitted from comprehensive support in recent years. “It should be said that construction is a supporting industry. It offers up the necessary result, whether that be homes, sporting facilities, or medical facilities. And any programme – whether regional, municipal, or federal – is aimed at achieving a specific result, and at achieving the fastest possible flow of funds,” said Irek Fayzullin, Minister of Construction, Housing and Utilities of the Russian Fed-

eration. Fayzullin also noted that shortening the construction and investment cycle is a key objective that the government has been working on in recent years. Over the past two years, RUB 1 trillion in public loans has been allocated in place of commercial loans for the so-called Infrastructure Menu. This has been used to ensure that construction sites have the infrastructure they need. In turn, construction companies can use infrastructure bonds to begin projects and incorporate more facilities.

The sheer scale of residential construction requires a more comprehensive approach to spatial development. “Comprehensiveness is not just about building a residential neighbourhood and financing its construction. It means creating an environment which is not just about living in a flat. People haven’t lived in flats for a long time. They live in complexes because they have all the services they need,” commented Alexander Tarabrin, Head of the Asset Management Department at VEB.RF. Vladimir Koshelev, First Deputy Chairman of the State Duma Committee for Construction, Housing and Communal Services noted that construction legislation needs to address so-called “paper” borders delineating different districts.

Digitalization should help the sector. “Our database on land and real estate is the Unified State Register of Real Estate. It is a very large and complex system. There are 173 million properties in this system. The number is constantly growing, and the load on the system is growing,” said Elena Martynova, Deputy Head of the Federal Service for State Registration, Cadastre and Cartography (Rosreestr). However,

information on forests, water bodies, and other features is spread across a number of other state information systems. Martynova noted that on 7 June this year, the Russian government approved a resolution on the phased development of the Unified Digital Platform (called the National Spatial Data System) by 2030. This will improve land use efficiency, simplify data collection, and enable a comprehensive approach to be taken to aspects concerning territorial planning, spatial development, and design and construction.

What's more, construction technology is allowing areas previously considered lost to be put to commercial use for the benefit of cities. One such example is the railways. "The railways link 860 towns and cities where 100 million people live. <...> We are now developing standards, standards that can only be implemented together. We can provide recommendations for using territories for railways," said Oleg Belozarov, Chief Executive Officer and Chairman of the Executive Board at Russian Railways. A project entitled Slava, which is being implemented in cooperation

with VEB.RF, is an example of this. It focuses on the space around Belorussky Rail Terminal in Moscow, and involves the creation of a large pedestrian area above the railway.

In addition, the process of import substitution is enabling SMEs to find a niche in the construction industry. "We have signed an agreement with OPORA RUSSIA; small and medium-sized businesses have tremendous opportunities today to enter essential areas of activity related to replacing technology from unfriendly states, and to restructure all their procedures. We have enough enterprises which are capable of fulfilling tasks, replacing imports, and organizing technological chains which require replacing," said Irek Fayzullin.

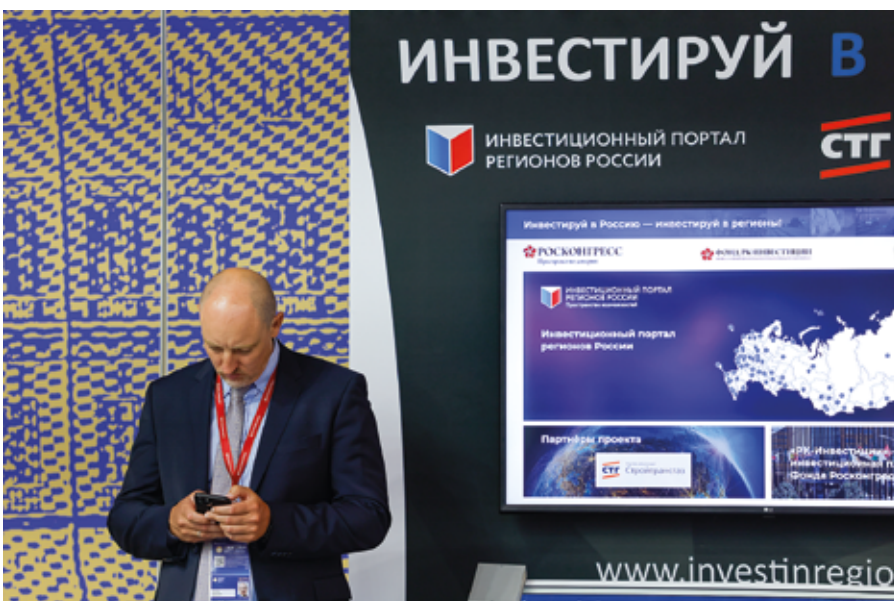
A FOCUS ON RESIDENTIAL CONSTRUCTION

For participants discussing residential construction, maintaining and increasing momentum was considered key. "The set of tools currently available to the Russian

government and developers is simply unprecedented. <...> Now the financial instruments must be made to work as well as possible on the ground. For this, developers themselves and municipal teams need to show initiative," said Vladimir Yakushev, Presidential Plenipotentiary Envoy to the Urals Federal District.

In order to shore up demand, subsidized mortgages will be offered. "The Central Bank is lowering the key rate. I believe that this allows the subsidized mortgage rate to be further cut to 7%," said Vladimir Putin at the Forum plenary session. The programme was initially approved in April 2020 and specified a maximum rate of 6.5%. However, given the leap in the Central Bank's key rate to 20% in spring 2022, the government increased the rate to 12% on 1 April. The key rate then came down, meaning it became possible to offer a subsidized mortgage rate of 9% from 1 May 2022. In addition, the programme itself was extended to the end of the year. During the Forum, all major Russian banks announced that they would be reducing mortgage rates to 7%, and even lower under certain circumstances. DOM.RF Bank, for example, offered a rate of 6.1%. According to DOM.RF CEO Vitaly Mutko, up to 5,000 subsidized mortgages for new-builds in Russia would be issued per week following the reduction of the rate to 7%. This would represent a doubling of the previous figure.

However, plans to make housing more affordable are not restricted to mortgages alone. "We have a queue of 2.5 million people and we need to consider the issues of rented housing – subsidized rents, which we have started to intro-



duce. We have started developing corporate rents,” said Vitaly Mutko, noting that 40% of Russian citizens are unable to get a mortgage, even if the rate was 0%. DOM.RF and housing developer PIK signed an agreement at the Forum to construct rental housing on Sakhalin.

A comprehensive approach to residential construction can in turn help unlock the potential to develop large agglomerations. “Over the past 10 years, the number of people living in our agglomerations has increased by 9%. That’s three times faster than the rate over the past 20 years,” said Minister of Economic Development of the Russian Federation Maxim Reshetnikov. He went on to note that there was still room for growth, and as structural changes are made, so the potential is emerging for agglomerations to grow at an accelerated rate. “These centres are needed in the East – in places closer to Asia. These can both serve as logistics centres, and centres supporting trade and economic ties with the East,” commented Alexey Kudrin, Chairman of the Accounts Chamber of the Russian Federation.

INDUSTRIAL CONSTRUCTION

The development of industrial tech parks has been key to supporting industrial construction. “We see that today there is a great demand for industrial tech parks and other parks,” said Alexey Besprozvannykh, Deputy Minister of Industry and Trade of the Russian Federation. According to the Ministry of Industry and Trade, more than RUB 24 billion was allocated to support tech parks from 2014 to 2021, with another RUB 19 earmarked until the end of 2024. Denis Zhuravsky,

Executive Director of the Russian Association of Industrial Parks added that occupancy at tech parks had already reached 65% across the country. Nevertheless, participants felt that the concept for tech parks did not always meet the needs of major companies, and management companies were not always provided with human and capital resources on an even basis. One solution which was voiced was the introduction of an industrial mortgage which could provide subsidized loans to developers of industrial real estate and industrial enterprises. Alexey Besprozvannykh commented that the idea was already being discussed by the government, and that the mortgage could be launched in the next few months. Vladimir Putin announced at the plenary session that loans under the scheme would be offered at a 5% annual interest rate. The mortgage will be available to companies planning to buy ready-to-use manufacturing space.

There are also plans for these tools to be employed in the Donetsk People’s Republic to address its

largely dilapidated Soviet-era infrastructure. “We will definitely use the same instruments that are available in Russia today. This includes the creation of a special economic zone. We will definitely create a development corporation. In the near future, we will be creating an industry development fund. RUB 2 billion, which is both our money and aid from the Russian Federation, will be sent to the fund in order for it to be invested in production,” said Vitaly Khotsenko, Prime Minister of the Donetsk People’s Republic.

MANUFACTURING

Today, industries which were more open and integrated into global production chains than others have to look for unconventional solutions. Russian automotive plants, for example, no longer had components delivered by their foreign partners. As a result, they were forced to make cuts. These included manufacturing cars without airbags. According to Deputy Prime Minister Yury Borisov (on 15 July 2022, President Putin signed an executive order appoint-





ing Borisov Director General of Roscosmos State Corporation), this will help avoid temporary closures and save jobs. For now, the industry will attempt to find ways of localizing production of radio and electronic equipment along with automatic gearboxes and other components. At the same time, it will look into the possibility of buying equipment from friendly countries. Meanwhile, as Minister of Industry and Trade of the Russian Federation Denis Manturov pointed out, car prices in Russia have risen by 25–30%. “In February–March prices rose, the exchange rate changed, and components were still being purchased. Naturally, companies are now looking to recoup the costs they incurred,” he said. Manturov added that production at the Moskvich plant should begin by the end of the year. “There will possibly be a hybrid or electric version,” he noted. The Minister went on to say that “there are plans to fully load the AvtoVAZ site together with the Izhevsk site. That would put production at

800,000 vehicles per year.” This is expected to happen by 2024.

Even industries which have been considered to be traditionally strong have experienced problems due to currency fluctuations and logistical restrictions. “Russia produces 70 million tonnes of steel, and consumes about 40 million tonnes. This surplus must find its markets. There is, simply, an enormous number of risks. Today we are lacking about 20–25% of the required load. <...> Today, with the current exchange rate of the rouble – which is insanely strong – and much higher supply chain costs, we cannot sell in the friendly market of the south-eastern countries or the Pacific region – it is simply not profitable,” said Alexander Shevelev, Chief Executive Officer of Severstal. He went on to note that there were no super profits to be had in the industry. Indeed, he claimed that subsidies needed to be introduced. What’s more, barriers also need to be removed, excise duties and taxes waived, and prosecution for currency left

abroad halted.

PROBLEMS RELATED TO IMPORT AND EXPORT

“Exports were once considered the most important thing. Today, they are becoming a poison for the economy. Meanwhile, imports – which were always considered to be something the country should do away with – are becoming the main medicine, said Head of Sberbank Herman Gref. Today, the flow of goods to Russia is gradually recovering. “The current exchange rate is very favourable to importers, despite all the logistical restrictions. <...> Imports are slowly beginning to recover, which is a good thing,” added Minister of Finance of the Russian Federation Anton Siluanov. “Everyone needs to be prepared for losses and for everything to become more expensive, more painful and more problematic. This will take a lot of time. The chains that we put together and the mutual integration into global business over decades have been destroyed, and it is



very difficult to replace everything in three, four or five years,” warned Alexander Shevelev.

That said, the current challenge offers Russia a historic opportunity to reshape or rebuild entire industries. Short-sighted European policies have led to a surge in demand for LNG, for example. By 2030–2035, the global LNG market could reach 700 million tonnes annually. “We believe that 15–20% of the global market is what we should be counting on, regardless of any pressure,” said Pavel Sorokin, First Deputy Minister of Energy of the Russian Federation. “This sector holds an immense amount of promise for our country. Gas reserves in the Arctic are in the range of 32 trillion cubic metres. As an example, Qatar – which is a major producer – has its North Field, which had a maximum of 24 trillion. This gives us the chance to build an enormous LNG production cluster. That means

tens of thousands of jobs, and a huge springboard for economic growth in Russia,” added Leonid Mikhelson, Chairman of the Management Board and Member of the Board of Directors at NOVATEK. And as Pavel Sorokin pointed out, the development of various fields would result in “a gigantic, colossal order for a range of industries. <...> It is a very rare thing when a sector is supported by orders over a period of 10–15 years.” However, the participants noted that this is about more than import substitution. Indeed, new technologies and new equipment need to be developed. For this reason, the Russian government needs to support the country’s industrial sector in order to boost R&D. In addition, it should provide guarantees of orders.

In turn, ongoing work and developments in aviation mean that the industry has the chance to expand dramatically as efforts are made to completely replace imports of

foreign equipment. Minister of Industry and Trade of the Russian Federation Denis Manturov commented that plans were in place to build 142 Sukhoi Superjet New aircraft by 2030. These aircraft will feature more domestically produced components. There are also plans to build 270 MC-21 aircraft, 70 Il-114-300 aircraft and Tu-214 aircraft, as well as 12 Il-96-300 aircraft. In addition, airlines are set to receive Ladoga aircraft, the L-410, Baikal aircraft, and more than 760 helicopters. Chairman of the Board and Chief Executive Officer of the United Shipbuilding Corporation Alexey Rakhmanov and General Director of the Tractor Plants Concern Andrey Vodopyanov commented further on the situation. The two participants said that the government should perhaps work towards creating national champions so as not to dilute orders and state support across various producers.

THE STRENGTHENING ROUBLE AND INTEREST RATES

The rouble has strengthened significantly on the currency market – a situation that Gref described as paradoxical. “A huge trade surplus, plummeting demand for currency, and plummeting imports have led to the rouble strengthening. I cannot remember any other situation in which banks have imposed negative commissions for foreign currency which nobody strictly needs in Russia. There is no demand for foreign currency assets.” In such an environment, the current exchange rate of the rouble was “very much the market rate,” according to Gref. The Head of Sberbank went on to say that the national currency would strengthen in July, “and then, businesses will in all likelihood set about solving logistics- and import-related issues so that by the end of the year <...> the rate will be approximately 70–75. Vladimir Putin noted that the strengthening rouble was proving beneficial to importers, and detrimental to exporters. “With this dollar/rouble exchange rate, there

is a risk of shoddy imports,” he said. Nevertheless, the main message voiced by the financial regulator at the Forum was that the interest rate and foreign exchange rates would continue to be determined by the market. There are no plans to switch to artificial regulation. “The less the government interferes in the exchange rate, the better it is for the economy,” said Vladimir Chistyukhin, First Deputy Governor of the Central Bank of the Russian Federation (Bank of Russia). He went on to note that the current 9.5% rate is a reflection of market conditions. Chistyukhin also claimed that the potential to lower it exists, should the situation regarding inflation take a turn for the better. “For us, the target is 5%, because we have spent the whole year actually subsidizing revolving credit so that there wouldn’t be any problems with credit, supply, and liquidity,” said Ilya Torosov, First Deputy Minister of Economic Development of the Russian Federation.

Economists have emphasized that low inflation and a low rate are both needed for macroeconomic stability and long-term investment.

However, in the current environment, this alone is not enough, and in order to encourage investment, the financial system needs to be restructured. “We need infrastructure: payments, currency conversion, infrastructure for dealing with so-called toxic currencies and others. <...> There needs to be a recovery in the capital market. <...> We need significant growth in the loan portfolio – at present, we have somewhere around RUB 52 trillion, and we need to reach RUB 75 trillion in the next three years,” said Ilya Torosov. “Investors themselves... with these uncertain factors – the exchange rate and the key rate and global uncertainty – will act cautiously and avoid entering into new projects. The basic thing the market needs to know now is that the risk between the state, commercial banks, and private investors will be built on a different scale. If not, we’ll be in for a very long period of cooling-off,” warned Igor Shuvalov, Chairman of VEB.RF.

First Deputy Chairman of the Management Board at Sovcombank Sergey Khotimskiy pointed out that the market is lacking mechanisms to lend money for high-risk projects. This is particularly the case for import substitution initiatives, which require the creation of new industries. According to Vladimir Chistyukhin, however, recapitalization options for the banking system may appear in the autumn. Indeed, the government is already moving in this direction point by point. DOM.RF and Gazprombank both benefitted from recapitalization with funds from the National Wealth Fund, noted Torosov. However, the participants agreed that future decisions should be made with a view to ensuring as





competitive an environment as possible, and that prominence should not be given to individual players. There was also a general feeling that attempts by banks to move away from savings in so-called toxic currencies (specifically, the dollar and euro) should be done as gently as possible so as not to reduce the value of customers' assets.

A FOCUS ON ENTREPRENEURIAL AND TECH INITIATIVES

Speaking at the plenary session, Vladimir Putin instructed the Government of the Russian Federation to prepare and submit new parameters in relation to industrial clusters. Key areas include financ-

ing, taxation, supporting production at the early stages, simplified administration, and setting up mechanisms to ensure demand for new innovative products. The new regime for clusters is set to be launched on 1 January 2023.

At the same time, significant hopes are being placed on the ability of small and medium-sized enterprises to restructure the Russian economy. According to Vladimir Putin, new and existing clusters need to act as a springboard for the development of small businesses. He instructed the SME Corporation and major Russian companies to launch an instrument for long-term contracts between partially or fully state-owned companies and SMEs. This, he said, would help ensure demand for products made by such enterprises.

According to First Deputy Prime Minister of the Russian Federation Andrei Belousov, the strategy for SMEs is essentially changing from



an “order to survive” to an “order to earn”. “We need to create an environment where people involved in small and medium-sized businesses can earn. This is a priority for the immediate future. Our second priority is to cut the administrative burden,” he said.

“To avoid returning to the Soviet Union, we simply need to look at private initiative in a different way. Without private initiative, there can be no technological development. This is not a question of taxes or budgetary support for certain projects. It’s everything related to the development of private initiative. If you let it manifest itself, then technology will develop and so will innovation, and you’ll get what we call modernization,” said Elvira Nabiullina, Governor of the Central Bank of the Russian Federation. “Import substitution is first and foremost private business, and that’s something we need to talk about. The foreign companies that exited the market here left behind large niches that our businesses are now actively moving into. And the new technologies that we’re looking to develop... all the examples that we have had are primarily

related to private business. <...> Our job is to buy time. We need this time for the structural transformation to take place,” added Maxim Reshetnikov.

However, import substitution is not a cure-all, as noted by Aleksey Kozhevnikov, Vice President of the OPORA RUSSIA All-Russian Non-Governmental Organization of Small and Medium-Sized Businesses. “The most important thing is for us to create an economy in the country that makes it profitable and safe to do business,” he said. Kozhevnikov went on to note that SMEs currently account for 6.7% of manufacturing – a figure that needs raising substantially. Head of OPORA RUSSIA Alexander Kalinin proposed a number of additional measures which could be introduced. These included providing more funding to the national project focusing on small and medium-sized businesses and initiatives by sole traders. He claimed this could come from taxes and contributions made by businesses, and noted that the latter amounted to almost RUB 1.5 trillion in 2021. Head of the Russian Small and Medium Business Cor-

poration Aleksandr Isayevich commented that a programme to reorganize the corporation’s leasing companies had been put in place. This would automate and simplify the application process for businesses. However, he also said that the scope of support needed to be broadened. “Small business is facing global problems now, and we need to help it,” he explained. “Further inclusion of SMEs in large companies’ supply chains remains very important. Large companies tend to suddenly realize that they do not produce something when it is too late to enter an investment cycle. We manually align SMEs and large companies. This service is becoming more and more sought after,” added First Deputy Minister of Industry and Trade of the Russian Federation Vasily Osmakov.

A focus on education is also required to ensure that the country develops its technical capacities. “Our vocational system is either in tatters or no longer exists. We need to restore it and make it a genuinely attractive option to people. We need to replace imports; we need to restore the factories. And then we will need the people – engineers, technical personnel, and foremen. This is probably the most important thing. We need to invest in this. It will pay off,” said Evgeny Kogan, Professor at the National Research University Higher School of Economics.

DOMESTIC TOURISM

The Russian economy should also be supported as the country’s citizens increasingly turn to domestic tourism. “I am absolutely convinced that tourism is a key non-resource industry with the potential to drive the development of this new model of eco-



conomic development in our country. <...> Tourism increases jobs more than anything else. Tourism is about the development of territories,” said Head of the Russian Federal Agency for Tourism Zarina Doguzova. General Director of the Russian Public Opinion Research Centre Valery Fedorov added that 75% of people surveyed would consider taking a holiday in Russia even if they had the chance to go abroad. And General Director of the Kempinski Hotel Moika 22 Evgenia Nagimova commented that in small towns – even those offering little potential in terms of tourism – up to 30% of the population could be drawn to this area. However, the development of tourism is currently being hindered by an underdeveloped transport infrastructure and the high cost of travel.

These factors are also a barrier to increasing the number of foreign tourists. “If we look at the flow of tourists, we can see that foreigners currently account for an insignificant percentage – no more than 3%. <...> Tourist numbers from friendly countries may decrease, too. There are a number of reasons for this. Cuts are being made to flight routes as a result of sanctions. That’s causing prices to increase, and with it, demand to fall,” commented Julia Kislova, Director of the Market Guide Agency. “The number of airlines has almost halved. We had a look at what has happened. Turkish carriers have not been given additional flights, for example. As a result, tickets are RUB 150,000 instead of RUB 30,000,” added Leonid Sergeev, Chief Executive Officer of Northern Capital Gateway.

“We need to build new transport corridors, make new decisions – we are working with the Ministry of Transport here to create a large federal network of multimodal routes in order to expand logistically and help people travel more conveniently,” commented Zarina Doguzova. She went on to note that plans were in place to launch an electronic visa for 52 countries and to conduct an advertising campaign abroad. This would focus in particular on the Middle East. Doguzova also drew attention to this year’s revolutionary decision to apply zero VAT for hotels and hotel services, which will come into force on 1 July. In addition, she claimed that steps will continue to be taken to reduce the tax burden on the tourist industry.



CUTTING-EDGE TECHNOLOGY AND INVESTING IN HUMAN CAPITAL



It is impossible to imagine economic growth today without cutting-edge technology. Much of it is not so much related to manufacturing as it is to personal development, the development of human capital, and the transformation of society as a whole. The most in-demand technologies in the current environment are aimed at providing IT-related support for key processes in business, government administration, and providing goods and services. It is also essential that these technol-

ogies are protected from outside interference. Building a sovereign healthcare system, supporting the scientific sector, and developing potential in the field are similarly vital. Just as in all other sectors, Russia has no intention to close itself off, and will continue to build ties with all friendly partners.

PROTECTING DIGITAL BORDERS

Today, cyberwar is essentially being waged against Russia. Against this

background, participants noted, digital sovereignty is essential to ensuring that the Russian state, society, and businesses survive and continue to develop. The internet was rapidly militarized. Igor Lyapunov, Vice President for Information Security at Rostelecom noted that from the early days of the special military operation, the entire DDoS attack toolkit was made publicly available, with the call to “just take it and use it”. Attacks targeted a vast range of different areas, but mainly focused on the media along with



government and socially important resources. These aimed to impede or block access to information and vital services. The strength and scope of these attacks went far beyond any known instances in the history of the internet.

And this was not the work of people acting alone or ostensibly independent hacker groups. “Cyber attacks used to be aimed at stealing money and personal data. Now the targets are non-commercial, coordinated, and aimed at destroying information infrastructure,” said Aleksandr Shoitov, Deputy Minister of Digital Development, Communications and Mass Media of the Russian Federation. Full-scale cyber war has been declared against Russia. Stanislav Kuznetsov, Deputy Chairman of the Executive Board at Sberbank put the number of people involved in coordinated cyber strikes at more than 100,000. And as Igor Lyapunov added, targeted attacks are being made by well-financed teams. “All Western countries – the US, Israel – say

they have cyber armies, special units involved in confrontation in cyberspace,” he said.

The country has withstood the pressure. “Our companies have come together at a difficult time to become a shield and help with all the requests coming in. We’ve been able to mobilize in the face of an external threat. And we can say that we have withstood the present blow,” said Tatyana Matveeva, Chief of the Presidential Directorate for the Development of Information and Communication Technology and Communication Infrastructure. Aleksandr Shoitov added that the country has been aided by the fact that Russia has strong cybersecurity companies. These have benefitted from government support, including in the form of procurement orders in the field of information security. There have been moves towards import substitution for a long time now, since 2010. However much remains to be done. Members of the media voiced the

need for their industry to have a consolidated information security centre. This would help with coordination, sharing experience, employing specialists, and developing regulatory tools.

NEW NICHES

The current challenges also offer new opportunities for Russian developers. “We can see a large number of projects aimed at filling the niches that have emerged. <...> Major foreign players won’t be back in the foreseeable future, so the task falls to our companies,” said Maksut Shadayev, Minister of Digital Development, Communications and Mass Media of the Russian Federation.

“In just a few months, we will go through the cybersecurity introduction processes that take years and never come to an end in other companies and countries,” said CEO of Positive Technologies Denis Baranov. He added that this “battle-hardened” software would

be the best in the world. “Russian cybersecurity knows how to work in extreme conditions. <...> We can teach you, but not for free,” commented Eugene Kaspersky, Chief Executive Officer of Kaspersky Lab.

However, in the context of Western sanctions, internet protection represents just the tip of the iceberg for Russia when it comes to improving software solutions, or indeed, developing them from scratch, including with an eye to exporting to friendly countries. “We are turning towards Asia even now. We are looking at India, at China, at Latin America. <...> It seems to me that we will see a fairly strong turn in that direction, particularly in terms of both marketing communications and product communications,” said Dmitry Krutov, General Director of Skillbox.

However, Russia is not yet able to employ domestically produced solutions across all fields. “A dra-

matic situation connected with marketing and partly with graphic design and digital design occurred all across the board,” said Krutov. However, there have been a number of successes in terms of automation in industry – a fact pointed out by Anton Dumin, Director of the Directorate for Information Technologies, Automation and Telecommunications at Gazprom Neft. “We want to base this area on international standards, and we are already talking about exports,” he said.

Russia already offers numerous world-beating digital services, many of which have become part of everyday life without people noticing. “Digital services have become an integral part of transport. We have developed a standard for transport services. We have added cashless payment to it. Now, people in 147 cities can pay for transport by card, and more than 40 regions accept cards using the Troika system,” said Dmi-

try Bakanov, Deputy Minister of Transport of the Russian Federation. “More than 90% of tickets on Aeroflot's website and agents' websites are sold electronically. Around 50% of check-ins are done electronically,” added Anton Matkevich, Deputy General Director of Aeroflot. Rail travel told a similar story. “The level that interaction with passengers has been digitalized has reached 70% this year,” said Evgeny Charkin, Deputy Managing Director of Russian Railways. And there are several other success stories, including Yandex services and 1C software.

Chief Executive Officer of Gazprom-Media Holding Alexander Zharov commented that the decisions taken by Western media platforms have had a direct bearing on Russia's VK, Rutube, and Yappi, which have seen an exponential rise in numbers of users. “On the one hand, we have seen this unique phenomenon of everyone leaving the market – some



have stopped working altogether, while others are still operating. But that said, platforms such as Google and YouTube don't participate in the economy. <...> Competition has forced our players to become stronger," noted Maksut Shadayev. "Digitalization is our everything. Regardless of whether global players were based in the country, Russia really was one of the leaders in providing high-quality digital services. That's particularly true of services which were one way or another focused on us – consumers of digital services offered by both the commercial and state sectors. The state digitalization system is by and large unprecedented," added Sergey Zverev, Chairman of the Board of Directors at CROS.

"It seems to me that over the long term, all technologies and services will be replaced by Russian players, and the current situation will help boost the development of these new technologies that have not previously been implemented in Russia. I'm primarily referring to the domestic cashless payment system which the Bank of Russia is working on. QR payment technology has now had a new boost. <...> Of course, some members of the public will indeed experience a degree of inconvenience in the short term, but over the course of the next year or two, I think that we will even improve the quality of our services and derive new benefits," commented Anatoly Pechatnikov, Deputy President and Chairman of the Management Board of VTB Bank.

In order to export these products, Russia needs to develop its IT diplomacy, develop the institution of digital attaches, and help Russian companies gain a foothold

and market themselves in other, friendly countries. "Basically, I'd suggest that if state companies work in these countries, then their directives should include measures to support Russian solutions and to support their use as a platform, and as part of infrastructure," commented Maksut Shadayev. Participants claimed that the main risk was focusing entirely on import substitution without developing and offering competitive products on the global market. "Digital technologies are obviously becoming the basis of technological sovereignty. We need to move to the export model when it comes to technological sovereignty. In our understanding, this model will be based on services, and we will offer our partners a full range of services – the entire life cycle," said Deputy Minister of Industry and Trade of the Russian Federation Vasily Shpak.

CREATIVE EXPORTS

Digitalization can also help the creative industries, including in the creation of multi-format content which could easily migrate

between digital platforms and exist in both the online and offline worlds. Chief of the Presidential Directorate for Social Projects Sergey Novikov noted that the departure of Western social media sites offered Russian competitors the chance to become national champions. "Last year we settled on a strategy to dramatically increase production of our own content. So, last year we produced more than 5,000 hours of content, which we can show on all media – digital, television, etc. And from this point of view, it is clear that there are a lot of new possibilities. Creative people need to understand where these opportunities are," said Svetlana Balanova, Chief Executive Officer of National Media Group. Meanwhile, General Director of Mediaslovo Film Company Danila Sharapov observed that the best professionals and directors used to concentrate on Western markets. However, leading talents and creatives are already adjusting their way of thinking, and are now focusing more on domestic success.



That said, the industry has suffered a number of losses. “The loss of international sales is the most palpable blow to the industry. This year, Soyuzmultfilm is set to lose 30% of its revenue as a result of unpaid international contracts and deals which, despite being signed, can no longer be enacted,” said Yuliana Slashcheva, Chairman of the Management Board at Soyuzmultfilm Film Studio, General Director of Gorky Film Studio, and Chairman of the Management Board at the Russian Animated Film Association. Despite this, however, Slashcheva did note that Russian animation was working harder to enter the Southeast Asian market. “We are definitely saying that the markets are still there. And it is of course my hope that our content will be in demand in these markets. We will also buy content from there – things which may have one time have appeared exotic, but which are now absolutely acceptable, and which have found our audience. For example, Turkish or Korean TV series,” added Dmitry Granov, General Director of online service more.tv.

However, according to Svetlana Balanova, in order to produce original content, help is needed from the state. This is partly to ensure that the number of people who can produce this content grows accordingly. “We need people who combine different professions... who can combine all the latest technologies with a humanitarian approach and humanize them. <...> This is the sort of combination that can be cultivated only in young people – this must be taught, we must work on this,” said Mikhail Piotrovsky, General Director of the State Hermitage Museum. “We can see an increase in funding, from the

Presidential Grants Fund, the new Cultural Initiatives Fund, and the Internet Development Institute, which has already invested three times more in content creation than the Cinema Fund. <...> This is public money that was allocated according to decisions by the President of Russia. In this case, we are not even reactively looking at the situation, but proactively – all these institutions have already been created, they are just now increasing the amount of funding, which will definitely help the leaders of Russian creative industries,” added Sergey Novikov, Chief of the Presidential Directorate for Social Projects. Chief Executive Officer of the Presidential Fund for Cultural Initiatives Roman Karmanov drew attention to the fact that by September, 4,500 projects will have benefitted from support from the foundation totalling more than RUB 7.5 billion. And a further RUB 10 billion has been earmarked for the following year.

THE PERSONAL DIGITAL FOOTPRINT

Participants noted that the proliferation of digital services in people’s lives has essentially erased the boundary between the online and offline worlds. “We must pay attention to generation Z, the younger generation. They’re already living in a virtual universe. We were just talking about how there is no separation, no boundaries between online and offline, how they can’t imagine themselves outside of it, and it’s true. And NFTs, personalized avatars, 3D avatars, Web3 – it’s all they’re interested in, they’re in that world. It’s a trend you can’t miss,” commented Marina Krasnova, General Director of VK.



For the government, it has become important to strike a balance in this field between the rights of internet users, business objectives, and regulation. “The sheer quantity of information that passes through the internet makes it very difficult to identify verifiable information. And actually, there are some very interesting approaches related to blockchain technology in social networks. We have to understand that we will be held responsible for every word we say on social media, just as we have to take responsibility for the things we say in real life,” said Alexander Bugaev, First Deputy Minister of Education of the Russian Federation. “It’s the government’s job to find the optimal balance between the rights of users, the rights of citizens – it’s fundamental and should be at the top of the list – and business objectives. And, in fact, we’re just starting to create the legislation,” added Anton Gorelkin, Deputy Chairman of the State Duma Committee on Information Policy, Information Technology, and Communications.



Participants also remarked on how fears of an exodus of IT specialists from Russia turned out to be unfounded. And while there is a personnel shortage, the same is true of everywhere else. At the same time, the situation surrounding cybersecurity and the leap forward in the development of domestic platforms have only served to boost employment of IT specialists. The solution is to provide additional training, and for universities and companies to forge partnerships. “We are launching a two-year programme this year to train senior-year pupils in programming languages. Digital departments in 106 higher education institutions are starting up. We are increasing admission quotas to universities for students studying IT. We are inviting businesses to integrate even more closely with our universities. <...> We need to increase the output of all our programmes by about 50%,” commented Maksut Shadayev. One major development in this area was the signing of a memo-

randum between VK, Skillbox and eight leading Russian universities at the Forum. These companies and institutions will work together to develop online education and distance learning technologies.

THE DIGITALIZATION OF CURRENCY

Russia has two major advantages when it comes to digital currencies – a surplus of electric power, and a large number of trained specialists. The energy provided by hydropower plants and nuclear power plants is relatively inexpensive and largely green. What’s more, it allows for the mining of cryptocurrencies or other projects using blockchain computing. Blockchain in customs could serve as an example of the latter. Rostec Executive Director Oleg Evtushenko noted that the introduction of such a tool could bring in trillions of roubles of extra revenue, and that examples already exist in China, Singapore, and the US. Alexander Brazhnikov, Execu-

tive Director of the Russian Association of the Crypto Industry and Blockworkers (RACIB) added that mining projects could give a new lease of life to abandoned small towns and regions. “Historically, every megawatt of capacity translates to at least two jobs. These work out as fairly significant figures in the regions where we operate. We’re talking about education and training personnel,” said Igor Runets, General Director of BitRiver.

For the time being, the Central Bank of Russia is against the idea of using cryptocurrencies in the country’s financial infrastructure. However, it does not object to the use of cryptocurrencies in international settlements. “At the start of the year there were no common areas of interest at all. Now there are: mining and foreign trade settlements,” noted Ivan Chebeskov, Director of the Department of Financial Policy at the Ministry of Finance of the Russian Federation. Oleg Evtushenko added that

cryptocurrency received in Russia can already be used to buy goods abroad; however, the lack of regulation means that this is not taken into account, and that it does not benefit the Russian economy.

Participants at the Forum believed that a number of compromises were possible in order to make the sector more official. For example, Deputy Chairman of the State Duma Committee for Security and Anti-Corruption Andrey Lugovoi suggested that regulation of cryptocurrencies could come under the purview of the Federal Tax Service rather than the Central Bank, given that in judicial practice cryptocurrencies are viewed as property. General Director of the Social Networks Agency Denis Terekhov proposed separating the concepts of mining and digital financial assets. This would allow mining to be quickly incorporated into the tax code as the provision of computing power. Deputy Minister of Energy of the Russian Federation Pavel Snikkars commented that mining as a business activity could be taxed according to the number of kilowatt-hours consumed. “The digital economy is providing us with the very weapon required for the ongoing economic war. We have everything we need. Let’s use it,” concluded Oleg Evtushenko.

ARTIFICIAL INTELLIGENCE

Similarly, the growing use of artificial intelligence (AI) technology is having far-reaching implications. Three years ago, Vladimir Putin said that an AI monopoly could end up ruling the world, given that they would be able to analyse enormous volumes of data to rapidly make the best decisions in real time. Speaking at the

Forum plenary session, Vladimir Putin and President of the Republic of Kazakhstan Kassym-Jomart Tokayev even speculated on AI potentially becoming self-aware and being able to empathize. However, the two heads of state agreed that it was still too early to talk about this. “In fact, every day we see that artificial intelligence is already in our lives and is much smarter than us,” said Tokayev.

Participants at the Forum noted that artificial intelligence was often romanticized in pop culture, and ideas around AI becoming conscious were widespread. However, the prevalence of such ideas can even be harmful, and people should not expect AI to solve all of humanity’s problems, or indeed, to become self-aware. That said, AI has long out-performed humans in a number of tasks. President of the Russian Academy of Sciences Alexander Sergeev noted that humanity has amassed an enormous amount of data which is currently lying idle. That’s because people are incapable of processing it all, and the task needs to fall to machines.

Alexander Vedyakhin, First Deputy Chairman of the Executive Board at Sberbank commented that these systems were already capable of multitasking, and could tackle both financial, and non-financial tasks. He said, for example, that a neural network which was trained to recognize and draw pictures performed 10% better at approving loans to customers. “This is now a megatrend. We tried it in finance, and I am confident that trained neural networks will offer up very interesting and unpredictable results in other areas,” he said. Vedyakhin went on to note that AI is already essential

for addressing challenges related to infectious diseases, genomic research, and hereditary diseases. Alexander Kuleshov, President of the Skolkovo Institute of Science and Technology (Skoltech) added that AI is interacting more closely with the user. He cited the examples of machine-to-machine interaction, controlling drones, driverless cars, and so on.

Fears around people being replaced by AI were unfounded, according to the participants. “As things stand and for the foreseeable future, AI will not supplant people. That’s because they cannot understand or diagnose themselves. One banal example is the fact that training networks are selected and then also controlled by people. The second issue with artificial intelligence is that it cannot set a task,” said Anton Fedchin, Head of social media platform Odnoklassniki. “Artificial intelligence is not quite the right term. It’s still not quite intelligence. It’s information technology that helps to solve problems that were previously out of reach,” added Arutyun Avetisyan, Director of the Ivannikov Institute for System Programming. Avetisyan also said that he did not believe in the emergence of an independent “strong artificial intelligence”. Participants also addressed the perennial matter of ethics in AI. However, they largely claimed that this issue had more to do with trust in the people who set the tasks for the computers and who interpret the results.

In this regard, the issue of qualified personnel is a genuine problem for the sector. “Each year, 140–150 AI specialists graduate from our institution. We train them well. <...> However, 140 people represent a drop in the ocean. There is another

problem as well – a more difficult one. We cannot compete in terms of salaries. We really do need to understand that in the West, young, well-educated people are offered crazy salaries, even if they have no experience to speak of,” said Alexander Kuleshov, President of the Skolkovo Institute of Science and Technology (Skoltech).

MEDICINE FOR EXPORT

Healthcare is another sector in which Russia needs to ensure technological sovereignty. In addition, the country needs to maintain international ties, and create opportunities for companies to export to friendly countries. Key areas include biotechnology, genetics, neurotechnology, the digitalization of healthcare, the development of artificial intelligence, and the development of vaccines and other medical products. “Medicine is the most interdisciplinary and international science there is. Even in the darkest days of the Cold War, Soviet and American Doctors worked together. They were also awarded the Nobel Peace Prize together under the International Physicians for the Prevention of Nuclear War movement. That’s because we deal with people’s lives, and there is nothing more valuable than that. I think we need to foster international cooperation, despite all the difficulties,” said Simon Matskeplishvili, Deputy Scientific Director at the Lomonosov Moscow State University Clinic. “We have faced the pandemic and mobilized our resources fairly rapidly. Nevertheless, we have discovered areas where we have no production capacity. We are trying to attain technological independence, like every other country. However, complete technolog-

ical independence is extremely difficult to achieve. Regardless of anything, you still have cooperation – the global economy is not going anywhere,” added Minister of Health of the Russian Federation Mikhail Murashko.

It will not be enough for Russian medical science to simply copy Western technologies in order to achieve this objective. It will need to focus on ground-breaking research. “We need to understand where our strengths lie. We of course need to focus on import substitution, but in order to make a breakthrough, we also need radiopharmaceuticals and a branch dedicated to the development of immunobiological drugs. <...> As far as these areas are concerned, we can definitely move faster and create faster,” observed Murashko. It was a view shared by Sergei Lukyanov, Rector of the Pirogov Russian National Research Medical University. “In order to be in front, we need to take fundamentally new approaches and use genuinely cutting-edge technology which has yet to be widely introduced,” he said.

“One thing we can expect to happen in the future is a transition to a genuinely personalized form of healthcare. By this, I mean focusing on the organism of each individual, and having an understanding of what makes them completely unique, what their unique biological and genetic codes are,” commented Head of the Federal Medical-Biological Agency of the Russian Federation Veronika Skvortsova. “Today we are setting up a world-class centre dedicated to digital biodesign and personalized healthcare. In the near future, this will enable us to develop software for early diagnosis, treat-

ment, and prognosis for kidney cancer, lung cancer, colorectal cancer, hypertension, and myocardial infarction,” added Petr Glybochko, Rector of the Sechenov First Moscow State Medical University of the Ministry of Health of the Russian Federation. Glybochko also noted that the creation of digital twins of diseases would be a decades-long undertaking. Such a twin would be a copy of the real patient, together with their disease. It would enable doctors to use computer simulations to test medications and come up with a personalized course of therapy while eliminating the real risk of errors.

It will be vital, however, to avoid inefficiency. “Research should not be duplicated, but rather employed to tackle the question at hand,” said Petr Glybochko. “Let’s all move forward together. We are ready to work with everyone,” stressed Veronika Skvortsova. In order to achieve this, changes need to be made to the way scientific teams are formed. “We always need to have a mix of people, a mix of different specializations – only then will you get the potential for growth,” said Vsevolod Belousov, Director of the Federal Center of Brain Research and Neurotechnologies (part of the Federal Medical Biological Agency). Sergei Lukyanov commented that in order to achieve this, clarifications needed to be made to legal regulation so as to avoid accusations of violating competition rules. It will also be important to establish ties with the business sector in order to share experience and ensure that money is not wasted on projects which are not in demand. “I began to visit various plants and enterprises, and talk to people. It was immediately apparent that there is a degree

of expertise in this area that I thought didn't exist in Russia. So, we need to look for ways to communicate with industry and build ties," said Vsevolod Belousov.

SCIENTIFIC BRIDGES

In recent years, Western countries, and the US in particular, have placed restrictions on international cooperation in the sciences. They have even imposed sanctions affecting Russian universities. The result is that scientific bridges which even existed during the Cold War are being burned. However, participants at the Forum expressed the view that it was impossible to exclude Russian science from global cooperation. Nevertheless, the development pathway for Russian science needed to be changed. "For many years, we have been living according to an agenda imposed on us from outside. And we realized that this agenda had one goal – to break us up. It's good that we know this now. There were some positives in this regard – we retained our scientists and generally modernized. Thirdly, we focused on our objectives, one way or another. <...> Now we must take our place in the world, relying on our deep scientific knowledge," said Mikhail Kovalchuk, President of the Kurchatov Institute National Research Centre.

Over the next 10–20 years, Russia needs to build its own technological and scientific space. "For this Decade [of Science and Technology – *ed.*] the President of Russia has set the goal of ensuring that the scientific sector makes a far greater contribution to improving quality of life. It's an enormous task, both in terms of scale and complexity. Not only do we need



to develop new knowledge, but transform it into a tangible socio-economic result that is needed by our citizens. This is something which we have not always succeeded at here in Russia, but it is something which we must achieve," commented Aide to the President of the Russian Federation Andrey Fursenko.

This needs to be done with a focus on friendly partners. Today, two technological blocs are emerging in the world – the Anglo-Saxon bloc, and the Asian bloc. This situation was highlighted at the Forum by Andrey Bezrukov, President of the Technological Sovereignty Exports Association and Professor at the Department of Applied International Analysis at MGIMO University. "We need to have a discussion right now about how we are going to build large networks together with our partners in BRICS and the SCO, and with other countries which want to work with us. This encompasses space, a new financial system, and a great many other projects. <...> We need to set ambitious, fundamental objectives, and move towards the frontier together with our partners,"

he said. Rector of the Ural Federal University Victor Koksharov added that China has long been the benchmark for high-level scientific publications, and that Saudi Arabia, India, and Egypt are all in the top ten. This is all thanks to the work of proactive teams of young scientists at a time when the West is resting on its laurels.

In this situation, the role of the government as a qualified customer is key. "The government alone is behind global trends – it is the biggest customer," stressed Mikhail Kovalchuk. "This qualified customer, which will be responsible for rolling out and commercializing technology, is now assuming a dominant role," agreed Deputy Prime Minister of the Russian Federation Dmitry Chernyshenko. Work in this area is under way and is already bearing fruit in specific technological solutions. Chernyshenko noted that a new information system will go into commercial operation in August. This will provide purchasers of technology with a comprehensive overview of all market factors, from subject areas and scientific teams, to rolling out and commercializing projects.



In the current environment, it is also essential to maintain and boost the status of Russian education as an international product. “It is a global standard for universities to be international by nature. And regardless of what may happen geopolitically or as a result of changes taking place internationally, we need to adhere to this standard and, where necessary, look for new partners and seek out new methods of communication with our colleagues abroad,” commented Anatoly Torkunov, Rector of MGIMO University. Deputy Head of Rossotrudnichestvo Pavel Shevtsov added that foreign students’ interest in Russia had not waned, with 23,000 people expected this year. And this interest is not restricted to technical subjects which Russia is renowned for. Executive Director of the Association of Global Universities Irina Karelina highlighted the fact that most foreign students

are enrolling on business and management programmes, as Russia is proving to be an interesting country from a business perspective. A number of measures could help attract more students. These include building a comprehensive sociocultural support system for foreign students and establishing a single overseas organization responsible for promoting education in Russia. Stanislav Prokofiev, Rector of the Financial University under the Government of the Russian Federation put forward an idea to attract talented young people and scientists. He proposed putting a model in place for attracting scientists with grants and scholarships named after famous scientists across various fields. Participants also spoke of the need to support ecosystems in Russia linking schools, universities, and businesses in order to find and uncover talents, and to allow scientists to demonstrate their abilities.

It was highlighted at the Forum that Russia possesses a number of strengths, allowing it to not only export goods, but also technology, education, and culture. Director General of ROSATOM State Atomic Energy Corporation Alexey Likhachev cited an example. A nuclear power station is a 100-year project encompassing four generations. And it cannot be operated just by following a manual. “We export a culture of industry, of safety, of having a profound respect for this knowledge, for these technologies which offer such enormous potential in terms of energy,” he said.

A NEW SPORTING FAMILY

Global sport is another area to have been severely affected by the policy of sanctions. “To say that nothing happened would be wrong. Unfortunately, changes are hap-

pening in sport too. We just need to get used to it and understand that there can be no return to the concepts of the Olympic family and equality. <...> The leadership of the Olympic Committee, the International Federation, crossed out all these achievements, which were initiated by Pierre de Coubertin,” said Aide to the President of the Russian Federation Igor Levitin. “They tried to humiliate, fence off, and cause impediments to our athletes in every possible way, but, in fact, they shot themselves in the foot, because the world of sport without us is inferior. Not to mention the principles and values of sport that have been violated,” added Deputy Prime Minister of the Russian Federation Dmitry Chernyshenko. He claimed that the International Olympic Committee and International Paralympic Committee have forever discredited themselves, and will be unable to restore a fair system for competitive sport. Minister of Sport of the Russian Federation Oleg Matytsin also highlighted the growing realization that the world of sports cannot develop without Russia. Indeed, there are already examples of the tennis community categorically refusing to exclude Russian athletes from tennis tournaments.

However, nobody is prepared to simply give up and wait. Russian

sport will focus instead on Asia, Africa, South America and other friendly countries. “We need to be open to friendly countries in the process of strengthening the sovereignty of Russian sport. We need to cooperate in new ways. <...> I am referring to Asia, the East, Africa, the SCO, BRICS, and our good friends from the CIS. We have numerous events planned with them. We need to promote our system of alternative competitions on the basis of the new alliances that we are now building,” said Dmitry Chernyshenko. He also noted that in 18 months, Kazan would host the inaugural Games of the Future international tournament. The event will incorporate innovative features bringing together competitions held in both the real and virtual worlds. As a result, Chernyshenko claimed, the tournament may attract an audience several times larger than the Olympics.

General Producer of Match TV channel Alexander Tashchin expressed his confidence that the audience interest would be there. He cited the example of the Russian Football Cup, which attracted a larger television audience than the Champions League final. “We are increasing the volume of Russian sports we show. Over the past three months, the number of

live broadcasts of Russian sporting competitions has increased by 500 hours compared to last year. We will continue to move in this direction,” he added.

Participants at the Forum admitted that the sanctions will affect the training of athletes. However, these issues can be solved. In many sports, for example, Russia has been denied access to foreign training centres. “However, over the past two months we have been analysing camps in high-altitude regions, mid-altitude regions, Siberia, and the Far East. And we can see that we are able to provide our athletes with a fully-fledged training process. We had an incredible experience preparing for the Olympic Games in the Far East, and it was a success,” commented Minister of Sport of the Russian Federation Oleg Matytsin. In addition, more than 500 items of sporting equipment were no longer being imported into Russia – a fact noted by Dmitry Chernyshenko. However, based on principles of expediency, either replacements will be identified, or alternatives will be manufactured in Russia. Participants also suggested pooling the efforts of the Ministry of Sport, the Ministry of Foreign Affairs, and sports federations in order to provide legal protection to Russian athletes abroad.



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