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Realizing Russia's Potential
RUSSIA – ARAB WORLD BUSINESS DIALOGUE
Business Round Table

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St. Petersburg, Russia
2012

Moderator:

Artyom Kapshuk, Host of an analytical programme on the Arabic-language satellite television channel Rusiya al-Yaum

Panelists:

Fadi Abboud, Minister of Tourism of Lebanon

Nayef Falah Alhajraf, Minister of Education, Minister of Higher Education Acting Minister of Finance

Abdelkader Amara, Minister of industry, trade and new technology, Kingdom of Morocco

Vladimir Evtushenkov, Chairman of the Board of Directors, Sistema JSFC

Petr Fradkov, Director General, Russian Export Credit and Investment Insurance Agency (EXIAR)

Sergey Katyrin, President, Chairman of the Presidium of the Chamber of Commerce of the Russian Federation

Noureddine Moussa, Minister of Housing and Urbanization, Algeria

Mikhail Pogosyan, President, United Aircraft Corporation JSC

Alexander Saltanov, Vice-President, Russian Railways JSC

Rowsch Nuri Shaways

Front row participants:

Mustafa Abdel-Wadood, Chief Executive Officer, Abraaj Capital

Ali Mehdi Jawad al-Dabbagh, Minister of State and Official Representative of the Government, Iraq

Adnan Al-Khaddam, Chairman, Jordan Valley Farmers Association

Bader M. Al-Sa'ad, Member of the Board of Directors, Kuwait Investment Authority (KIA)

Sergey Chernyshev, Director of Department of Asian and African countries, Ministry of Economic Development of Russia Federation

Nabil Itani, Chairman, Investment Development Authority, Lebanon

Evgeniy Novitskiy, Co-Chairman of Lebanese-Russian Business Council

Sergey Popelnukhov, Chairman of the Board of Directors, Zagranstroy

Konstantin Ryzhkov, Director OOO «UK Russian direct investment fund»

Jacques Jean Sarraf, Co-Chairman of Lebanese-Russian Business Council

Hassan Sentissi, Chairman of the Board, Rada-Holding; Co-chair of the Moroccan-Russian Business Council.

A. Kapshuk:

Hello and welcome to the St. Petersburg International Economic Forum.

Ladies and gentlemen, in order to make the most efficient use of the time given to us, I would first like to introduce you to a small advertisement, which talks about trade and economic cooperation between Russia and the Arab countries. You will hear a brief report from Anis Abazid, a correspondent for the Arabic-language satellite channel Rusiya Al-Yaum – Russia Today, which addresses this issue.

A. Abazid:

Russian–Arab relations have a long history. Some of the events of the Arab Spring, in particular, developments in Syria, have revealed differences in Russia's and other countries' assessment of what is happening. Of course, this has been reflected in Russia's relations with Arab countries, including economic relations. Many are calling for continued cooperation, but there are objections to the expansion of relations, because the events of the Arab Spring have had an effect on the position of Russia. Of course, in the past, Russia has done much to strengthen these relationships. It is enough to recall the Aswan Dam and other projects, but it is necessary to take into account changes in recent years.

With regard to the conflicts, Russia maintains a balanced position, but the contribution of Russian companies to the development of trade and economic ties is still quite modest. At the same time, in recent years, attempts have been made to restore the influence and authority of Russian companies. The success of such efforts depends, among other things, on cooperation with the new leaders in Arab countries.

It should be remembered that the political forces of Islam that came to power in some Arab countries interpret these events in their own way and understand Russia's economic interests in their own way. They understand Russia's non-interference, but representatives of new forces are appearing in the hierarchies of power of several Arab countries, which can only lead to changes. Perhaps it is the pragmatism that some representatives of political Islam maintain that fits into the

context of the opinion expressed above. At the same time, there are voices calling for a reduction in the strength of relations, especially economic, between Russia and the countries where such changes are occurring. It is also important to take into account the opinion of a number of countries involved in this process. It is obvious that mutually beneficial economic cooperation plays an important role in the development of relations between Russia and Arab countries.

We, in the United Arab Emirates, analysing investment and economic interests, do not get involved in political issues. We consider issues of economic cooperation from the perspective of competitive factors and the future expansion of relations. As for the Russian side, there is a belief that the current differences cannot lead to deterioration in relations. Of course, we would like to develop economic relations, but events in the region have had a certain influence on development opportunities. Currently, relations are developing in a very limited manner in a number of industries.

However, some Arab countries maintain a completely opposite position with respect to cooperation with Russia. Russia has economic interests in Iraq, because Russian companies won concessions to develop oil fields. Russia has economic commitments to these countries. We know that neither Iraq nor Iran have criticized Russia's position on Syria. Yes, indeed, there are a number of factors that are affecting Russian–Arab economic relations in one way or another. But, objectively speaking, in the future, these relations should expand.

A. Kapshuk:

Thank you, Mr. Abazid, for that report.

Once again, a warm welcome to all the participants. Today at our meeting, which precedes the plenary session, we are discussing the topic that has just been announced: strengthening trade and economic relations between Russia and Arab countries.

Before presenting the members of our panel, I would like to say that the volume of trade between Russia and the Arab countries is currently estimated at more than

USD 14 billion. This figure has increased substantially compared to the Soviet era: then, it was only USD 1.2 billion. Today, given the existing achievements, we would all like to hear new details, suggestions, and ideas about the question posed, and to think about what problems hinder the expansion of our relations.

Allow me to introduce you to the panel members speaking today: Mr. Rowsch Nuri Shaways, Iraq's Deputy Prime Minister, Nouredine Moussa, Minister of Housing and Urbanization of Algeria, Abdelkader Amara, Minister of Industry, Trade and New Technology of Morocco, Petr Fradkov, Director General of the Russian Export Credit and Investment Insurance Agency, Nayef Falah Al-Hajraf, Minister of Education, Minister of Higher Education, Acting Minister of Finance of Kuwait, Fadi Abboud, Minister of Tourism of Lebanon, Sergey Katyrin, President, Chairman of the Presidium of the Chamber of Commerce of Russia, Alexander Saltanov, Vice-President of Russian Railways (formerly Deputy Minister of Foreign Affairs). We are also soon be joined by Mikhail Pogosyan, President of United Aircraft Corporation. Other participants in the discussion are also here, and we are happy to see them: Mustafa Abdel-Wadood, Chief Executive Officer of Abraaj Capital; Yevgeny Novitskiy, Chairman of the Russian part of the Russian-Lebanese Business Council, Sergey Popelnyukhov, Chairman of the Board of Directors of Zaganstroy, Jacques Jean Sarraf, Chairman of the Lebanese part of the Russian-Lebanese Business Council, Hassan Sentissi, Chairman of the Board of Rada-Holding, Co-chairman of the Moroccan-Russian Business Council (RADS), an official representative of the Iraqi cabinet, Ali Mehdi Jawad Al-Dabbagh, Nabil Itani, Chairman of the Investment Development Authority of Lebanon, Sergey Chernyshev, Director of the Department of Asian and African Countries of the Ministry of Economic Development of the Russian Federation; Bader Mohammad Al-Saad, Member of the Board of Directors of the Kuwait Investment Authority, Adnan Al-Khaddam, Chairman of the Jordan Valley Farmers Association, Konstantin Ryzhkov, Director of the Russian Direct Investment Fund.

So, I would like to give the floor to Mr. Rowsch Nuri Shaways, Deputy Prime Minister of Iraq. Please.

Excuse me, before I hand over to you, I would like to request that everyone ask questions, because the people here can tell us about a number of issues that concern us all. We have enough time, and I hope that we can use it effectively. I would also like to ask everyone to adhere to the rules: three or four minutes for each presentation.

Please.

R. N. Shaways:

Hello to all participants of our panel. I would also like to greet all the people of Russia on behalf of the Iraqi delegation, on behalf of the Government of Iraq. I am very pleased to be able to participate in this important discussion, which will allow us to exchange views, and allow me personally to talk about the economic situation in Iraq and cooperation with Russia on investment opportunities in several areas.

We are happy to take part in the St. Petersburg International Economic Forum, where there are many business representatives attracting investment from around the world. For us, as well as for Russian business people and representatives of other countries of this Forum, it is a good opportunity to exchange views on investment issues. There are great investment opportunities in our country, and many of the countries concerned can take part in the economic development of Iraq, which is known for its natural wealth and promising economic projects.

For our country, Russia is a partner that has at its disposal great investment opportunities, while at the same time, is a partner in the broader field of international relations. There have been long-lasting scientific, technical, economic, political, cultural, and other forms of cooperation between us. The Russian Federation wrote off 22% of our debt. Iraq seeks to strengthen economic, trade, and other relations. We also welcome the idea of creating an International Gas Union similar to OPEC, which unites, as we know, oil-producing countries. I must say that we are governed by a number of documents on expanding cooperation that have been signed between the two countries, including the first agreement in 1995. We are of the

opinion that such cooperation is necessary and that it should be encouraged in the future.

Some may say that the terrorist attacks and the challenging security environment prevent the expansion of these relations. Nevertheless, we are determined to continue cooperation in the future and hope to expand cooperation. In addition, we believe it is necessary to develop links with private sector companies, and with Russian investors. We fully encourage such cooperation in various fields, and we believe it is extremely promising for both investors and for other interested parties.

Thank you for your attention. Thank you.

A. Kapshuk:

Thank you Mr. Shaways.

Last year, we talked about Iraq and mentioned that it needs new, more modern technologies in various fields. I would like to discuss these issues from a practical perspective. Are there any new factors, for example, in medium-sized projects? Traditional thinking focuses on large projects, but it is necessary to promote development and medium-sized projects to ensure the expansion of general economic relations.

R. N. Shaways:

We see the need for cooperation between Iraqi and Russian companies, and are committed to diversity in this cooperation, and to the use of the scientific and practical experience of Russian companies.

At present, Russian companies are working in Iraq in various fields: for example, Technopromexport is working in energy. In particular, in Nasiriyah, there is a project for building a power plant. Russian companies in the oil and gas industries are also involved in this activity. The Ministry of Oil and Gas in Iraq seeks to develop projects in this area. Schools and other public institutions are being constructed.

Of course, Iraq's policy is not limited to the creation of infrastructure and implementation of major projects. We aim to develop broad cooperation in various fields, particularly between the private sectors of Iraq and Russia.

Thank you.

A. Kapshuk:

We have been joined by Mr. Evtushenkov. You know him well: he is the Chairman of the Russian-Arab Business Council. Before giving him the floor, I would like to ask him a question.

Vladimir, the Russian–Arab Business Council was launched in 2003, when the level of mutual trade and economic relations did not exceed USD 2 billion, and today, after nine years, it has already reached USD 14.3 billion. How do you see the future of this cooperation? Will what you described in your speech last year prove to be true? At least, nobody who entered the Russian market lost their money?

V. Evtushenkov:

Thank you for giving me the opportunity to speak. I see many familiar faces in the audience.

Due to the general economic and political circumstances, the situation has become more complicated in comparison with last year. However, the strengthening of business contacts and the implementation of projects continues, both in Russia and the Arab world, although, unfortunately, less intensively than we would like. This concerns both the Russian–Arab Business Council, and the Arab world. I am optimistic about the future, but I cannot help noting that there were a number of problems in the implementation of joint projects. It would be correct to state that trade has increased and the level of mutual trust has increased, because we have been working hand in hand for years. Not everything is bad as it might seem, but there are a number of problems that prevent us from dramatically increasing the number of successful projects with the Arab world and which, I believe, will become topics for discussion today.

Several years ago we experienced a peak, and now a great amount of effort is required to adapt to the new opportunities and to the new situation that has developed in the economic and political spheres in the Arab world. We are trying to explore these new possibilities to the greatest degree possible, because a number of projects that were being developed in Libya, Syria, and Egypt are now in a state of limbo. I think that in the context of individual meetings at the Forum, we will find solutions to some of these problems. Some of the projects that have been 'frozen' will be pushed towards implementation in the current and subsequent years.

I think that everyone understands the situation: we need to adapt to working in the new conditions, which have become more difficult than they were five years ago. Yes, we know each other better, but the economic and political situation poses entirely new business challenges, to which we must respond, to which we must adapt.

Thank you.

A. Kapshuk:

I thank the speaker and I am happy to give the floor to Nouredine Moussa. Algeria is the most organized country in the Russian–Arab Business Council's area of activity.

My question is, what should a Russian company do to enter the Algerian market? What steps need to be taken? What are the areas of cooperation with Russian companies that want to do this? Please.

Nouredine Moussa:

Thank you. Before answering the questions you raised, I would like to thank the organizers of this meeting, in particular the Russian–Arab Business Council and the Chamber of Commerce in Russia. I agree with you that the level of development of Russian–Arab relations, in which trade rose from USD 2 billion to USD 14 billion, does not satisfy the demands of economic partners. Both sides are facing a serious

challenge that prevents making a qualitative leap, which would ensure significant progress in the development of relations.

Algeria, which historically has strong relations with Russia, is working to strengthen these relations and to stimulate economic transactions between Russian and Algerian partners. In recent years, the dynamic of Russian–Algerian relations makes us optimistic. There were two meetings in this area, and a joint Russian–Algerian commission is engaged in activity.

I am pleased to announce that at this time the climate is very favourable for us, because Algeria has launched a major development programme, concerning different areas – from infrastructure changes to improving the living standards of citizens. This programme is a continuation of the other programme, which we started in 2009. The funding for the new programme amounts to USD 210 billion in infrastructure and other areas.

The programme appeared and began to be implemented in a period of time when our region had unique political circumstances: in particular, in light of the peaceful elections that were recently held. One third of our parliament is women. This is a new phenomenon, and I hope it will improve the political and economic results of our activities. So, from the 2000s, the Algerian government has been improving the investment climate in the country by taking various steps, including organizational and legislative, as well as organizing similar meetings between Russian and Algerian partners.

The area of housing construction also part of a large development programme that is being implemented in Algeria: about USD 60 billion has been allocated for improving housing conditions. We also strive to improve the lives of our people.

I shall now proceed to answer the question about what a Russian businessperson must do to start a business in Algeria. We have adopted a Law on Investment, which significantly improves the climate in this area and provides the best conditions for business activity. It is necessary to organize cooperation between Russian and Algerian partners in this area. We hope that we are able to provide Algerian and Russian businessmen with necessary information as a result of this partnership. We

have allocated about USD 60 billion for housing and urban development. We have enterprises which are capable of building large amounts of housing according to a plan. The government provides ample opportunities for investment in this area, which also opens up prospects for partnership and the participation of various companies.

That was what I wanted to say, in brief. Thank you very much.

A. Kapshuk:

Thank you, Minister Moussa.

Activities of this kind are often faced with a number of obstacles. Problems arose on the Russian side, including problems related to financing. Russian companies seeking to enter the Arab market have a difficult time. Sometimes they do not know the laws and traditions of the Arab world.

Recently, the Russian Export Credit and Investment Insurance Agency (EXIAR) was created. I would like to introduce Mr. Fradkov, who will tell us about this enterprise.

P. Fradkov:

Thank you for the invitation to participate in today's session. I think that holding such a session at the St. Petersburg International Economic Forum for the second consecutive year is an indication of the great interest in Russian–Arab issues and an objective assessment of the potential that we are discussing.

The foundations of our relations in the Soviet era were construction and implementation of major projects in the fields of metallurgy, energy, water projects, and hydroelectric power. In post-Soviet Russia, the focus has shifted to oil and gas production and development of the rail network, but in any case, we are now talking about large infrastructure or industrial projects.

Of course, the changes that have occurred in the political arena of many countries in the Arab world will inevitably affect the objective assessment of the risk that must be assumed by Russian exporters, entrepreneurs, and banks financing export or investment transactions abroad. At this stage, it is difficult to conduct such an

assessment. Companies that are already in the market of the Arab countries are concerned that contracts can be amended or actions can be taken that restrict the opportunities of Russian companies or re-evaluate agreements that had been previously reached.

As noted by Mr. Kapshuk, new companies that would like to enter the market in some countries do not know what to expect. They do not understand what kind of economic and political features of development there are in some countries. It is impossible to abolish trade. What should be done in this situation, what kinds of tools exist? At the last session, we talked about the need to use modern mechanisms used throughout the world.

I would like to announce that a specialized institution has been created in Russia that was designed to assess risks, particularly risks in the Arab region, and to provide insurance coverage to Russian exporters and banks financing exports, as well as to protect them and cover their risks, including in the political sphere. All countries employ these practices. Given the nature of this region, we understand that it is impossible to function without it. We must act in accordance with international rules and modern standards, with which Russia must comply as a WTO member and as a potential member of the OECD. It is a flexible modern mechanism, which can be applied, but with certain restrictions. We must – and we will – assess the risks of specific countries, which differ from each other significantly.

It will now be difficult to provide full government support in a number of areas, but for some regions it is possible to do. Insurance coverage against default of a foreign party will vary in duration. In the first phase, the focus will be on short-term transactions, which many countries and regions are interested in: these are transactions in the areas of metal products, rolled metal products, pipe products, and agricultural products of Russian producers.

All this can be achieved: the necessary tools already exist. According to the regulations of the agency, there are certain limits for these types of products. We are ready to engage in this. We understand that we need to build relationships with

new government agencies in some countries, that we will develop together with the economies of these countries, offering more sophisticated products, establishing the goal of transition to long-term projects and investment insurance. This is the task before us.

I look forward to working together to achieve substantive results. I am ready to answer all questions, because even though the mechanism is not new in itself, it is new for Russia. I would not like to talk in detail about it right now. Today, a little later, there will be a separate session on this topic: if you are interested, please visit. I can also describe and discuss everything in more detail after the session.

Thank you very much.

A. Kapshuk:

When will Russia's trade sector be able to get help from this important agency? Do you have any specific examples of when your agency has supported some companies?

P. Fradkov:

Of course, we have been working quite actively. Unfortunately, we cannot boast of transactions in the Arab world, but we have transactions in Asia, Latin America and the CIS. The basic principle of the agency is that we cover the risk of default of the Russian party due to political and commercial reasons.

Political reasons may be quite diverse: major events, revolutions, unilateral decisions of the authorities to expropriate property, refusal to implement a contract, and much more.

Business and commercial reasons are also quite diverse: the bankruptcy of the Russian party – formal and informal, non-fulfilment of obligations due to a variety of reasons, and default on the transaction. This is an effective mechanism; it functions everywhere. I think it should be useful for working with our partners from the Arab countries.

We have the determination and the understanding that as a state agency, we must do this, and we have resources for this. I hope that the first examples of such transactions will appear soon. The risk to the exporter, the risk to the bank financing the foreign importer, and the risk to any other organization or a participant in foreign trade are insured. We have no restrictions: it is important that export or export of capital in the form of investment comes from Russia.

A. Kapshuk:

Thank you very much.

Before giving the floor to Nayef Falah Al-Hajraf, Minister of Education, Minister of Higher Education, and Acting Minister of Finance of Kuwait, I would say that relations between Russia and the Gulf countries are expanding, but are still quite modest. Problems are gradually being solved.

Minister Al-Hajraf, please.

N. F. Al-Hajraf:

In the name of Allah, Most Gracious, Most Merciful.

Thank you very much, Mr. Moderator. I thank the organizers for giving me the opportunity to participate in this meeting. I would like to thank the representatives of the Russian–Arab Business Council for inviting me to participate in this meeting and in the discussions.

There is no doubt that Russian–Arab relations have a long history and are very important for both sides. Next year, we will celebrate the fiftieth anniversary of the establishment of diplomatic relations between Kuwait and the Soviet Union, and now Russia as the successor of the Soviet Union. We have a special relationship, and we would like to achieve a true partnership. In the economic sphere, we are committed to the active development of trade cooperation and exchange between Russian and Kuwaiti companies. This is especially important in today's world, where a number of problems and challenges are present on the path of economic development. Many companies are seeking to develop relations.

Over the course of nine years, the Russian–Arab Business Council has put a lot of effort into the development of our relations. This is especially important now, when a number of problems related to the unique conditions in which some Arab countries have found themselves stand in the way of the development of these relations. Developing a partnership requires improvements in many areas, including in the area of infrastructure. I think that Russian companies have sufficient experience to effectively participate in complex tasks and in the implementation of existing projects despite the difficulties, which can only be overcome by government intervention, for example, in terms of improving the legal framework and efforts to expand opportunities for Russian companies in Arab countries and Arab companies in Russia.

I believe that the Russian–Arab Business Council should also think about the consequences of the global financial crisis that developed in 2008. Europe is still in a period of crisis, and we need to think about how the difficulties connected with them will affect the economy of the world and our region.

One way or another, we should provide more opportunities to the private sector to establish a genuine partnership in the economic sphere, so that it meets the interests of both parties. The Russian–Arab Business Council should facilitate the creation of a specific format for the development of economic relations. I think that the efforts made by the Council are leading to very fruitful results and that the meetings held in the Council contribute to the development of our partnership and cooperation. The Council should encourage as many companies as possible to engage in such cooperation.

A. Kapshuk:

Thank you, Minister Al-Hajraf.

You mentioned a number of difficulties that stand in the way of developing cooperation. Of course, there are many difficulties, and as the saying goes, “the devil is in the detail”.

N. F. Al-Hajraf:

Investors who want to enter the market of our country may indeed encounter difficulties. Of course, the investor needs to know about the difficulties that await him when entering the Arab market, and the Russian–Arab Business Council, of course, should inform potential investors about these issues.

We in Kuwait have a special committee that deals with investment issues and tries to solve such problems. If investors do not have complete information about the difficulties that await them when entering our market, it will certainly be difficult for them. We have adopted a programme that provides information to Russian companies wishing to enter our market.

A. Kapshuk:

Thank you, Minister Al-Hajraf.

I propose moving to another region – Morocco. Mr. Abdelkader Amara, Minister of Industry, Trade, and New Technology of Morocco is here. Also, we have been joined by Mr. Hasan Sentissi, Co-chair of the Moroccan–Russian Business Council and Chairman of the company Rada-Holding.

What is new in our cooperation? Maybe our relationship does not need to be explained, so to speak. We know each other well. We know that there are new companies. So, I shall ask you to elaborate on this issue.

A. Amara:

First of all, thank you. Thank you for the warm welcome that was given to me, and for the fact that I was given the opportunity to participate in this round table. I ask you to forgive me for being a little late in the beginning.

As you already said, warm and friendly relations connect the Kingdom of Morocco to Russia in the political, economic, and other spheres, and more recently new opportunities have opened up in Morocco. I believe that this will lead to an increase in economic cooperation and the attraction of new investment from Russia in our economy.

Currently, we can talk about three principles in the economic policy of Morocco. There is political stability, which was firmly established as a result of the Arab Spring. In 2011, a new constitution was adopted, elections were held, and a new government was formed, which is headed by the leader of the opposition. All this has led to the stabilization of the situation. You know very well that political stability is the foundation of economic development and of improving the investment climate. In respect to political stability, we can say that Morocco is taking great strides towards the development of its economy. The government is forming a parliamentary majority in which representatives of the opposition participate. We have a new constitution. I can also say that along with principles affirming the rights of citizens, the Constitution stipulates the government's responsibility for the development of the economy, its major benchmarks and for the implementation of other principles set forth in fundamental law and having an impact on the general policy – both in the economic and social spheres.

In recent years, the economy of Morocco has been developing rapidly. After joining the WTO, it made a series of reforms. About 50 agreements aimed at stimulating the private sector and developing economic cooperation with Arab countries, Turkey, and African countries were concluded, as well as trade relations with Russia and other countries. The policy of economic openness, the 'open door', has allowed us to conduct a series of important transformations.

There are incentives in the areas of banking and investment. In recent years, we have aimed to develop so-called sector strategies, that is, a strategy that provides for the development of each major sector of the economy, including industry and agriculture. We have road maps for developing each of these industries: clear plans that will help the country's leadership create an attractive investment climate, including in industry. Everyone knows that we have great opportunities in this area, and now we are establishing priorities, according to which attention will be paid to the development of one sector or another.

It should also be noted that the investment climate in Morocco is now very favourable. There are certain incentives for investment. We would like all investors

who come to the Kingdom of Morocco to gain maximum benefit from their projects. We also have certain preferences in a number of sectors and regions: for example, in the automotive industry. There are customs incentives. We have a free trade zone, including the famous city of Tangier. There are a number of areas that are attractive for investment, including the aircraft industry, in which there are also incentives. We can even speak here about concessions, in which Canadian and other foreign companies participated. The electronics industry, the textile industry, the food industry – all of these industries show promise and very attractive for investment.

Agricultural industries related to farming and the export of fruits and vegetables from Morocco are also attractive for investment. There are great opportunities for the fishing industry, especially sea fishing, where there has been some progress. There are other areas in which we could create so-called tripartite companies, i.e. companies with the participation of Morocco and two foreign partners. Infrastructure, particularly financial, is very well developed in Morocco. Communication, transport and related industries are actively developing, so there are opportunities for cooperation.

Thank you for your attention.

A. Kapshuk:

Thank you, Minister Amara.

I would like to welcome some new members who have joined us. The representation from the Arab side is very impressive: we have Abdul Kareem Al-Luabi, Iraqi Oil Minister; Sinan Al-Shabibi, also of Iraq; and other Arab participants. There are also new members on the Russian side.

Tourism is a very important industry that connects Russia and Arab countries. Russian tourists are just as well-known in the Arab countries as Russian products. Let me give the floor to Mr. Fadi Abboud, the Lebanese Minister of Tourism. My question is, how do you want to attract Russian tourists? Naturally, there are some

opportunities, but there are certain obstacles that may prevent you from attracting tourists.

F. Abboud:

Thank you, thank you. Good morning, ladies and gentlemen.

Ministers, vice-premiers, panel members, tourism is indeed an extremely important industry. First of all I would say, do not believe the words that are frequently heard on television and are expressed in other media, where you may get the impression that the situation in Lebanon is not very conducive to the development of tourism. Some media tend to exaggerate the problems to extreme degrees.

As for the so-called Arab Spring, this process began in Lebanon 35 years ago, and we know how it occurred. Now we have a safe environment. Of course, events in neighbouring countries have an influence, but tourism is nonetheless developing at a good pace.

We would like to quote some figures, some statistics on tourism, before talking about specific projects. During 2010, Lebanon welcomed two million tourists, and in 2011, after the tense situation in several countries in the region arose, especially east of the Arab world, this figure dropped to 1.65 million people. As a result of the events in Syria, Lebanon lost the 'overland' tourists, that is, Syrian tourists. The number of tourists to and from several other neighbouring countries decreased (70–80% of tourists came to us from Jordan and Iran). We are trying to compensate for those losses. 2011 was indeed a momentous and difficult year. In the first five months of this year, the number of Arab tourists increased by 15%. This increase was mainly due to higher numbers of tourists travelling by air.

I have already mentioned that we are making every effort to improve the situation. Recently, a number of recommendations were issued by the Gulf countries; perhaps they are more stringent than those that are issued in Western countries. I hope this issue will be treated diplomatically, and the problems that arise for us with the Persian Gulf countries will be resolved. We, on our part, are striving to overcome all obstacles and to normalize relations.

We all know that Lebanon has made every effort to normalize the situation, including in our neighbouring Syria, which is like a brotherly country to us. The events that are occurring there have affected our tourism industry. Nevertheless, Lebanon remains a country attractive for tourism.

With regard to the development of tourism between Russia and Lebanon, I shall turn to a few numerical indicators. As you can see, they are quite modest. Today my task is to attract the attention of potential Russian tourists, because Lebanon can give them something that not many other countries can, due to its geographical position: it is possible to play summer sports as well as to ski in the mountains. Features inherent in a multi-religious state, such as religious tolerance, define our similarities with the Russian Federation. This theme should be strongly promoted. We need to inform potential tourists more widely about the situation in our country. We need to increase the influx of tourists by air. There is a need to expand air travel and airlines. We will invite officials in charge of the tourism industry in Russia, and we will be sure to arrange a guided tour for them to better understand the existing situation and the opportunities offered by our tourism sector.

Today, Lebanon has a quite reasonable ratio of quality and price. Our prices are much lower than in neighbouring countries. We can provide Russian tourists everything necessary for recreation.

We are conducting a campaign to promote tourism in our country. In recent months, a number of television stations, including CNN, carried advertising about travel to Lebanon. We must diversify the possible sources of tourism. The main goal is to attract about 12 million expatriates back to Lebanon. Lebanon is a small country with a population of four million people, but 12 million Lebanese expatriates live in various countries around the world. We hope to attract them back to our country.

I am ready to answer all questions relating to tourism in Lebanon. I can say that Lebanon is a country that has existed for a thousand years, and it is always ready to welcome a large number of tourists. We love and respect you, and there are strong ties that unite us and the Arab countries. Lebanon needs new tourists, and this need is linked to the development of democracy in our country. We would like to tell the

world about how we live and how we can live. We are ready to show you a country with a thousand-year history, in all its glory.

A. Kapshuk:

Thank you, Minister Abboud.

I would like to draw your attention to the fact that we have 35 minutes left, so please adhere to the schedule to the extent possible, that is, please keep your presentations brief. Maybe there are others who would like to speak?

I give the floor to on the Alexander Saltanov, a former Deputy Minister of Foreign Affairs, and now the Vice President of Russian Railways.

A. Saltanov:

Thank you, Moderator.

Good morning. This is not the first time I have participated in such a meeting. I believe that it was in this hall four years ago that the first meeting of the Russian and Arab business communities was held, which aimed to find ways to ensure more intensive development. We never discussed what prevents more dynamic and fruitful movement towards the mutual benefit of both parties and how a solution to this can be found. I believe that 14.5 billion is a good indicator, but given the economic and financial capacities of our parties, it seems negligible. Perhaps traditional trade between Russia and the Arab world has reached its limit. Why?

From an economic point of view, we are exporting more raw materials than products with high added value. The next question is, what to do next? If you look closely, it turns out that there are not many areas where we could work more intensively. If we exclude small and medium-sized businesses, which have a very high potential for cooperation, it turns out that a common challenge faces us –new technologies for the extraction and production of hydrocarbons. I am not only referring to shale gas, but also new technologies in extracting oil from sources from which the oil is difficult to recover. They say that shale oil extraction technologies have emerged. I do not know how true this is. Some markets that are net importers of hydrocarbons can

become exporters. For us – for the Arab world, the Middle East and Russia – it is a serious challenge. Therefore, in addition to seeking a common response to this challenge, we must pay attention to other industries.

Historical experience shows that during the crisis in the global economy (and it is growing and, in all likelihood, will continue to grow), the most promising stabilizing factors are investments in several sectors, and one of them is infrastructure projects. We can recall how the United States emerged from the Great Depression, and the recent experience of China during the crisis of 2008–2010. Here we could work together. I am probably saying this because I am now engaged in this business, but an objective economic analysis also shows that there is potential.

What can be done? First, there is the North–South Transport Corridor project. Several countries are participating in this. One cannot say that it is developing rapidly, but it is developing, and this makes it possible to increase the competitiveness of the Arab countries, Iran, India, Pakistan, and Russia in international freight transport. Realization of this project would significantly reduce the distance and time of delivery of cargo to owners. That is one way.

Another way is joint participation in infrastructure projects. All those present are aware that there are plans to create an impressive railway network in the Middle East, the Gulf area, and beyond, with access to Turkey and Europe. Russian Railways and its subsidiaries, such as Zarubezhstroytehnologiya, possess highly advanced technologies for constructing the most modern tracks. Our company has accumulated considerable experience working abroad, both positive and negative. The negative experience is due to circumstances beyond our control, such as the events in Libya.

The third area is participation in innovative projects related to the creation of new transportation, rail, and construction equipment and, possibly, investing in such projects. What could be familiar for both you and us? I am referring to the development and introduction of new engines for locomotives operating on gas: gas turbine engines, gas turbine-electric locomotives, and gas-turbine locomotives. Who, if not we, will get involved in this, in a fundamentally new technology?

There are a number of other areas where we could cooperate more closely, profitably, and with greater potential. We are witnessing a 'renaissance in rail transport', as they say in Europe. These are not just beautiful words, it is actually true. It is known that the European Union is investing hundreds of billions of euros in upgrading its rail network. Russia will also be involved in modernization. It is possible to discuss ways to work on investments in our country.

With regard to projects in Arab countries, as already mentioned today, the risks are great. We feel that the Arab world has entered a phase in which major infrastructure projects can be expected. This expectation is understandable. It is necessary to determine what 2013 will bring to the world economy, and how the political situation in the Arab world and Iran will evolve. All this is understandable, but in Russia they say, "nothing ventured, nothing gained" in such situations.

That is all from me.

A. Kapshuk:

Thank you, Mr. Saltanov.

Each of us must stick to the schedule: two minutes, we have very little time. I shall now call on Mr. Mustafa Abdel-Wadood, the Chief Executive Officer of Abraaj Capital.

Mustafa Abdel-Wadood:

I will speak very briefly.

Probably, I am the only representative of the private sector at today's meeting. Most of the participants are representatives of government agencies.

Private sector development and cooperation in the private sector, of course, must rely on government assistance. Governments should encourage the private sector in order to arrange the best form of investment. We largely rely on private investment, and we should study the difficulties that inhibit us. Mr. Saltanov correctly said that we have reached a certain limit in the cooperation in traditional areas. Trade is now substantially limited.

I fully agree with Mr. Saltanov that private companies – small and medium-sized businesses in Russia and the Arab countries – have good prospects for mutual cooperation. State-owned companies represent very serious competition as far as private companies are concerned, and large companies represent very serious competition as far as small companies are concerned. That is all I wanted to say.

A. Kapshuk:

Thank you, Mr. Abdel-Wadood.

Now, Mr. Katyrin, Chairman of the Chamber of Commerce in Russia, will join us.

S. Katyrin:

Thank you. I apologize for being late. I was participating in a meeting with the First Deputy Prime Minister and members of the Government of the Russian Federation.

I would strongly support the part of the speech I managed to hear. He talked about the possibilities beyond the simple exchange of goods. We have a Russian–Arab Business Council, which works very actively. It includes business councils from 19 Arab countries, that have proven to be no less active. We are trying to advance each of these councils and the business that join these councils to a new level of cooperation as part of the activity of the Chamber of Commerce in Russia.

First, in our opinion, it is medium-sized businesses. I cannot say that many small businesses in Russia are ready for international cooperation. We do not have a lot of small businesses that are ready for this. However, medium-sized businesses can work on joint projects, not only in the trade of goods. At the stage that we have already passed or are passing in our work together, trade of goods will continue, but it is necessary to take the projects relating to high technology and new projects more seriously.

I believe that the second part of this work consists of the need to cooperate with regions of Russia in order to arrange contacts and work of small and medium-sized enterprises, because they are not all concentrated in Moscow, despite all of my love for it and for St. Petersburg. Today, Russian regions present more opportunities for

cooperation: there, the possibilities for arranging contacts and work with small and medium-sized businesses are much broader, so I and my colleagues are trying to organize this work.

The Arab world is currently going through difficult times, but the history of our relationship will not disappear. It gives us an opportunity to think about the future, about how to join our efforts in the new political configuration, and about further development.

Thank you.

A. Kapshuk:

Thank you very much.

Mr. Jacques Jean Sarraf, President of the Lebanese part of the Russian-Lebanese Business Council, will now speak. Please.

J. J. Sarraf:

I think that today there are very good opportunities for Russian–Arab investment, especially considering that Europe is going through very difficult times in the financial sector. There is now a great deal of talk about the problems that the Arab world is experiencing. However, I think that, despite this, there are good opportunities for cooperation between Russia and the Arab world in the field of business development. Russia is a very strong state, and I fully endorse the opinion of Mr. Saltanov. Of course, it is necessary to build railways and to create a common network in Russia through Iran and then Iraq and Syria to India; from the ports of the Middle East, from Beirut, from Tripoli, and deep into the region.

The second issue concerns the revitalization of the Russian–Arab Business Council. We want to create a free trade area; we want a real partnership with Russia, the kind of cooperation that exists in the Mediterranean Free Trade Area, where 14 countries are participating in a free trade zone. We want Russia and Arab countries to sign agreements on such a zone.

I also think, as Mr. Fradkov mentioned, that the establishment of an investment fund or insurance for our investment is very important. We have an agreement with the International Bank that also provides investment guarantees, and there is also a need to create such a guarantee here. We, as private business owners, often do not have enough of this, and we want to develop this area.

Thank you.

A. Kapshuk:

Thank you.

Mr. Chernyshov, Director of the Department of Asian and African Countries of the Ministry of Economic Development.

S. Chernyshev:

I want to express two ideas. Our dialogue today in a way represents an ideal model for Russian–Arab dialogue in general. Why? Firstly, because the number of participants is growing: in the beginning, there were less, now there are lot more. Secondly, we speak two languages, but with excellent interpreters. I think if the number of participants in the Russian–Arab dialogue continues to grow and there is more understanding in our relations, it will lead to a qualitative shift in its economic content. What is necessary for this? I think we need to understand each other better and to better understand the economic policies we are pursuing.

I would like to note one interesting point. Russian–Arab cooperation has always been the result of economic reforms that were carried out in our countries. The Soviet Union in its time was building a developed infrastructure and heavy industry. Now, it is possible to transfer this experience to the Arab world, and it has been sought after. We are now solving one problem: we are creating a competitive state under new conditions – under conditions that present numerous challenges, chief among which for us is the inevitable complication of the situation on the hydrocarbon market. This is a challenge we can and must take on together. By sharing experience and undertaking joint projects in research and development in

various sectors for which we already have money, we can create a whole new level of trust and coordination of economic policies, and projects in specific areas come from this.

I shall limit myself to just saying this, because time is short. Thank you.

A. Kapshuk:

Thank you.

Perhaps we should return to the topic of direct investment. Now, a representative of Lebanon will speak and tell us about it.

N. Itani:

Thank you for your attention and for the opportunity to speak at this round table. I am Nabil Itani, Chairman of the Investment Development Authority of Lebanon.

It is worth mentioning some important points, including that investment, in order to be serious, must be based on the relevant capacities of the country that is attracting investments, primarily on its infrastructural capacity. We could mention the experience of the Russian Federation and those major projects that were planned or are being planned for implementation. Is it necessary to focus on the private sector, the public sector, or a mixture of these two? These are very important questions.

Next, I would like to say that it is necessary to work to attract Russian companies to invest in the private sector. In Arab countries that have an interest in this, important components of this issue have a great deal of significance now when it comes to the efficient use of both human and financial resources and other opportunities for the development of investment. This can be direct investments or other types of investment. Most Arab states in the last decade have created appropriate funds to attract and develop investment in their countries and to attract investor countries and other international organizations in order to develop the investment climate. This should help to stimulate and attract potential Russian investors to our country. For example, we have no fundamental differences between the local Lebanese and

Russian investors. Conditions are the same for all, which creates opportunities for investment growth.

A. Kapshuk:

Now, Konstantin Ryzhkov, who heads the Russian Direct Investment Fund, will speak.

K. Ryzhkov:

At the last Forum, as I understand it, the Russian Direct Investment Fund was already represented: you were told about what we are doing and what we are engaged in. Maybe it should be recalled that this was a USD 10 billion fund that was created by the Russian government to help foreign investment coming into Russia. We are a co-investment fund: we cannot invest a penny if we do not have an international investor that invests on the same terms together with us.

Surely, when we talk about the Arab world and about Arab investment, we understand that Arab sovereign funds and private investors are among the largest in the world. Accordingly, we are natural partners, we gladly work together, and we welcome any interest of Arab investors in Russia. The Kuwait sovereign fund is one of the largest partners, and the head of the fund is a member of the supervisory council of the Russian Direct Investment Fund. We are trying to actively use all available resources to attract Arab money into Russia.

We only opened in September of last year, but we believe that we have already achieved certain results. One of the investment transactions we conducted together with a fund managed by Arab money was the AGC Fund. An investment in OGK-5 from Arab investors became the largest investment in Russian history.

I want to remind you that we are open. We work with anyone who is ready to help and to consider various investment projects in companies based in Russia. Also, we are ready to work on interesting investment opportunities outside Russia if the Russian side in these investments has a strategic or direct interest. We are also willing to consider investments in Arab countries, so please contact us.

Thank you.

A. Kapshuk:

Thank you.

A. M. J. Al-Dabbagh:

I will limit myself to only two issues in the name of Allah, Most Gracious, Most Merciful.

First of all, it should be noted that political relations are also important for the development of economic and trade relations between our countries. The relations between Russia and the new authorities in some Arab countries are somewhat different from those that existed before. They have their own unique features. Many of the threads that would allow the development of this cooperation have been lost, but we need to look ahead with optimism. On the one hand, cooperation in gas is practically lost, but there are opportunities for collaboration: we work with Lukoil and Gazprom, and not only here in Iraq.

Our market is very attractive to investors, and many rate it highly, even though there are certain security concerns. Of course, some Russian companies have been slow to come to us. I have heard many different stories, but in the past, Russia used to be entrusted with such projects as the construction of the Aswan Dam, without any competition.

Russia is now forced to compete in both Iraq and other Arab countries. There are now no projects that we could automatically give you. Iraq and the Arab countries should not become a dumping market. We need to consider our own strategic interests. Mr. Saltanov raised important issues, speaking about the railway network development project, which is important not only for Iraq, but also for many other countries, its neighbours. It will link Europe to the Persian Gulf and beyond. I believe that this ambitious programme of railway construction is very important to us all. I believe that in the areas of cooperation that we have not talked about, there is quite wide latitude for further cooperation.

Thank you.

A. Kapshuk:

Let us talk a bit about the infrastructure projects. Perhaps Sergey Popelnyukhov, General Director of Zaganstroy, will say a few words. Please.

S. Popelnyukhov:

I will be brief. I represent a group of companies that operates in the construction of infrastructure, both linear and seaport infrastructure. I represent a company that operates in the private sector.

As an active member of the Russian–Indian Business Council, and attending numerous events that take place within our organization, I want to say that in recent years the dynamics of contacts in terms of cooperation have become more intense. Undoubtedly, there is competition: without competition, there is no market. However, our countries are making efforts to expand cooperation. I would very much like to establish routine contacts with our agency for the promotion of export. We need this institution. We have been feeling its absence. Now, I think it will give new impetus to the development of our relationship.

Speaking of cooperation, I want to note that a significant increase in trade volume between Russia and Arab companies has been provided mainly by medium-sized businesses. They are able to respond more flexibly to changing market conditions and current challenges. I see that specifically medium-sized companies have great potential, along with major companies of national importance. I would like to see our government pay special attention to this sector in the form of development institutes. Thank you.

A. Kapshuk:

Thank you. Now, Mr. Adnan Al-Khaddam, a representative of the Chairman of the Jordan Valley Farmers Association, will speak.

A. Al-Khaddam:

First of all, I would like to thank the Russian–Arab Business Council, as well as the respected ministers participating today, and especially Mr. Rowsch Nuri Shaways.

We have had some problems regarding relations between Jordan, Iraq, and Russia. They were related to a shipment of goods last year. The Russian side exempted Jordan from customs duties, and we hope that Russia and the Arab countries will become strong partners.

Thank you.

A. Kapshuk:

Now, Mr. Hassan Sentissi, Co-Chairman of the Moroccan–Russian Business Council, will speak.

H. Sentissi:

Last year, I proposed the establishment of the Arab–Russian Bank. This did not happen, but I continue to assert that the establishment of such a bank would be extremely important. All the projects that we will discuss will be easier to implement. The respected Minister spoke about some of the projects in Morocco, and even mentioned the names of these projects – tourism projects, such as the so-called ‘Green Morocco’. Unfortunately, there currently is not a single Russian–Moroccan project, and the presence of Russians is not very noticeable. I would welcome the emergence of Russian investment in Morocco: it is very important. Thank you.

A. Kapshuk:

There is one minute left for Abdul Kareem Al-Luaibi, Iraqi Oil Minister. If possible, you only have one minute.

A. K. Al-Luaibi:

My thanks to all the participants. I believe that a historic moment has definitely arrived for the development of a strategic partnership between Russia and Arab

countries. Some rather difficult conditions have developed in our region, but Russia and Arab countries are able to create such a relationship.

A. Kapshuk:

I think we used the time that was given to us in a constructive manner. Brevity is the soul of wit. We hope that in future we will hold similar roundtable discussions and meetings, including representatives from the public and the private sector. We encourage all Russian and Arab businesspeople to meet in Russia, and share experiences, visits, and contacts. We hope that our relations will develop and that there will be new investments. Thank you all for your help. I thank all of you who participated in our round table for two hours.

Thank you, goodbye.