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No Fear of Flying or Investing

By Anatoly Medetsky

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Finance Minister Alexei Kudrin's shadow is reflected on a wall at the Troika investment conference Wednesday. **Igor Tabakov**

Although investigators say the recent suicide bombing of the arrivals hall of Domodedovo Airport targeted foreigners, Fatih Birol, chief economist at the Paris-based International Energy Agency, said he remained unfazed.

He said he was "not at all" afraid to fly in to Moscow for an international investment forum that opened Wednesday.

The bombing that killed 36 people at the end of last month cast only a slight shadow over the bustling conference organized by investment bank Troika Dialog, whose chairman, Ruben Vardanyan, made a point of thanking everyone for showing up despite the attack.

Attendance was at a record high, the bank said. A total of 2,400 participants registered for the event this year, compared with 1,600 in 2010.

“It is obvious from the participation that there is a huge interest,” Vardanyan said on the forum’s sidelines, commenting on possible effects of the bombing on investor mood. “I don't think it will stop investors."

Snezana Stoiljkovic, director for Eastern Europe and Central Asia at the International Finance Corporation, echoed that sentiment. “I don't think it will affect investment,” she said. “There are a lot of opportunities for growth."

Joseph Stiglitz, a Nobel prize-winning professor of economics at Columbia University who attended the forum, said although the bombing might affect investors’ commitment to Russia, there were other more important factors that they take into account, including legislation and the quality of the judiciary system.

Petropavlovsk gold mining founder and chairman Peter Hambro said he had decided not to cancel his visit to Moscow after learning of the bombing because the risk of an attack exists at any place where many people gather together. The risk in Moscow isn’t bigger than that in London or New York, he said, adding that terror attacks have become “just a fact of life.”

There were voices of concern about the immediate future, however. Tim Lambert, a senior executive at energy consultant Wood Mackenzie, said the attack might raise the level of concern among investors if it were followed by more similar bombings.

"We will wonder if our offices here will become targets for such things,” he said. “If it looks like security is tightened, then terrorism fears will be lowered somewhat.”

In the long term, oil and gas companies will go on investing, he said.

Discussions at the forum revolved much around the topic of the planned state property sell-offs and the efforts by the government to modernize the economy by developing high-tech industries and forcing state companies to increase spending on research and development.

“It’s possible. I am sure it will happen,” Finance Minister Alexei Kudrin said about modernization. “Chances of economic growth at the expense of oil have been exhausted.”

Privatizations will help create a more high-tech economy, Kudrin said, adding that the government planned to sell as much as 20 percent of VTB bank this year. Assets that the state intends to sell over the next five years include stakes in the country’s largest lender Sberbank and No. 1 oil producer Rosneft.

As is usual at such conferences, investors were mostly upbeat — at least ostensibly — about doing business in Russia.

“The prospects have always been good,” said Ilya Ryaby, chief of MasterCard in Russia. “We have long been confident about Russia’s favorable investment market.”

He said the company’s growth slowed during the worst of the crisis, but business didn’t contract. The growth rate has now returned to its pre-crisis level on many fronts, he said.

Investors may pay increased attention to Russia this year after fellow BRIC countries China, Brazil and India lost much of their investment attraction, said MDM Bank chairman Oleg

Vyugin. That would be a change from last year when Russia was the least interesting BRIC country for investors, he said in an interview.

“I ruled out this scenario in 2010, but it can’t be ruled out in 2011,” Vyugin said. Even as terrorist attacks have a negative impact on the country’s investment climate they are unlikely to scare off investors, Vyugin said. "Risks are rather high, but the appetite for risk is even higher,” he said.

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