

Live Blog: SPIEF 2013, Day 1

By [The Moscow Times](#)

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The  **Moscow Times**



The 17th St. Petersburg International Economic Forum (SPIEF), set to host several thousand economic experts, business managers and political leaders, opened Thursday morning with the first session at 9:45 a.m. The forum this year focuses on finding ways to build a new global economy.

Today's discussion topics include maintaining the growth in the BRICS economies, accelerating investment in energy and infrastructure sectors in Russia, the Russian-Indian bilateral economic relationship, and the role of central banks in economic growth.

Participants will also discuss the economic relationship between U.S. and Russian businesses since Russia's accession to the World Trade Organization, support for entrepreneurship in Russia, and the involvement of international players in Siberia's development.

We will be posting all the latest news from the forum on this blog. Refresh to see the latest updates.

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7:40 p.m., VTB Not Planning to Move Into Foreign Loan Market:

VTB does not plan to follow the Finance Ministry and move into the foreign loan market if the ministry decides to place sovereign eurobonds in July, the deputy CEO of the bank, Herbert Moos, told Interfax.

“There is currently no need,” he said. “There is a huge excess in currency liquidity.”

Earlier, it was reported that a number of partly state-owned issuers were studying the foreign borrowing market, in particular Sberbank and Vnesheconombank.

Vnesheconombank's chairman, Vladimir Dmitriyev, said on Thursday that his bank would make a move into the foreign borrowing market in the near future.

7:15 p.m., Government to Keep Personal Income Tax Rates Flat:

The government will not revise the personal income tax schedule in the foreseeable future, Finance Minister Anton Siluanov said Thursday at the St. Petersburg International Economic Forum.

"Tax policy objectives do not provide for a change [of the tax schedule]; the goal is not to change it in the middle run," Siluanov said.

The government is not planning the introduction of a progressive schedule for personal income tax, the minister said, although he did not rule out that it could be done at some point in the future.

He recalled that keeping the personal income tax rate flat has been the fundamental policy shared by the Finance Ministry, the government and the president.

"It is one of our main achievements, one of the advantages of the Russian tax system, [to have] a low rate of taxation for personal incomes," Siluanov said.

Raising income taxes now would be counterproductive, he said, citing the business community's reaction to a recent decision to raise employers' insurance payments, which resulted in a higher share of unofficial "gray" salaries on the job market and reduction of tax revenues.

The government has since lowered the rates in the hopes of bringing more employees in "from the shadows."

Siluanov stressed that the issue of fairness in taxation stipulating higher taxes for wealthy people and a progressive tax scale is addressed through additional taxation for real estate property and purchases of luxury goods.

The minister also hinted that the government may revisit the country's tax system "in five years," Interfax reported.

Some of the snacks on offer for visitors at the forum. (Photo from Andy McChesney, MT)



4:46 p.m., Fall in Gas Tariff Growth Rates Could Lead to \$1.6Bln Loss for Budget:

Russia's budget could lose about 52 billion rubles (\$1.6 billion) in three years if the growth rate of gas tariffs falls from 15 to 5 percent, Finance Minister Anton Siluanov said.

If this decrease does happen, the formula for calculating the mineral extraction tax rate will

need to be revised or losses will follow, the minister said.

He added that specialists will look for a solution to this problem during the discussion of the second draft of the bill that determines the tax rate, Interfax reported.

The bill was drafted by the ministry at the end of May.

The new rates have been discussed at government level and will be submitted to the State Duma for approval during the autumn session.

The new mineral extraction tax rates are expected to be implemented beginning Jan. 1, 2014.

4:02 p.m., Group of Leading Companies to Set Up Anti-Corruption Center:

A group of leading companies announced Thursday that they would form a center by the end of the year aimed at assisting them in combating corruption in Russia and other Group of 20 countries.

The center, called the Collective Action Hub on Anti-Corruption, will be developed and managed by the Basel Institute on Governance in Switzerland in partnership with the UN Global Compact in New York, according to the Task Force on Transparency and Anti-Corruption, a group comprised of more than 50 companies, many from emerging markets like Russia.

“In my opinion, this issue is not going to come close to being resolved at the global level unless we have the full participation of the emerging markets,” said task force chairman Andrei Bougrov, vice president of Interros and Norilsk Nickel.

The new center will identify, analyze and exchange best practices and experience in collaborative efforts by companies, government and civil society in opposing corruption, the task force said.

"We view the Collective Action Hub as a significant groundbreaking initiative that will become a formidable force in the fight against global corruption," said Peter Solmssen, a member of the managing board and general counsel at German company Siemens.

The anti-corruption task force eventually hopes to open anti-corruption centers in every G20 country to promote awareness among investors, provide training in compliance techniques, and act as a neutral platform where company and government officials can tackle issues related to corruption.

The task force also will present the G20 heads of state with a list of recommendations on how to combat corruption at a G20 summit in St. Petersburg in September. The recommendations will include “more regular and in-depth exchanges between business and government on practical ways to create a level playing field and a more attractive environment for investment — for example, how to incentivize business to self report, how to clean up public procurement, and how to raise the standards of compliance in companies’ supply chains,” the task force statement said.

In its preparations of its recommendations on fighting corruption, the task force took a close look at Russia, where corruption is so epidemic that President Vladimir Putin called it the biggest threat to the national economy at last year's St. Petersburg forum. The task force produced a publication titled, "Implementing and sharing best practices in anti-corruption in Russia," with special recommendations for the Russian government. – *Andrew McChesney*

3:40 p.m., Search Is On For Strategic Shipbuilding Partner for Russia:

The government is looking into finding a strategic foreign partner for the Russian shipbuilding industry.

The discussion has been prompted by the inability of Russian shipbuilders to produce ships on time, Deputy Prime Minister Dmitry Rogozin said.

"It is an unacceptable situation. The country has lost a lot of money building ships in France, Germany, Finland, Korea and so on," he said.

A search is already underway to find investors, with the government and the United Shipbuilding Corporation discussing how best to enter into negotiations with potential suitors.

According to Rogozin, any such partner should be willing to transfer technology to Russia or else invest money in the creation of a new shipyard.

The new partner will be selected via a tender.

3:18 p.m., Shuvalov Defends Russia From WTO Jibe About Trading Bloc

First Deputy Prime Minister Igor Shuvalov put up a vigorous defense of a Russian trade bloc with its ex-Soviet neighbors, but WTO chief Pascal Lamy tore into the concept as misguided, saying Russia needed to focus on the EU if it wanted to integrate with the global economy.

The two leaders traded sharply contrasting viewpoints Thursday during a panel discussion on economic integration at the forum.

Shuvalov, who received a smile and a wave from Lamy when he arrived 40 minutes late for the session, said that a proposed Eurasian Economic Union with founding partners Russia, Belarus and Kazakhstan had no ambitions to rival the European Union.

Instead, he said, the new bloc would give Russia more equal footing in its efforts to integrate with the world economy.

"We will have more muscle as a trio than alone," he said.

He also insisted that the union was all about business and had no political goals, in remarks that clearly tried to dispel worries that President Vladimir Putin, the initiator of the project, hoped to use its integration drive to restore the Soviet Union.

Putin, who will address the forum on Friday, has said the bloc would build upon the "best

values of the Soviet Union.” – *Andrew McChesney*

First Deputy Prime Minister Igor Shuvalov at the forum (photo from Twitter/_mars)



2:44 p.m., Weaker Ruble Would Not Bring Growth:

Ruble devaluation will not contribute to economic growth, first deputy chairman of the Central Bank Alexei Ulyukayev said.

"I do not believe it would help the economy. I will not go into specifics explaining why, but it affects various sectors of the economy and various economic agents in different ways," Ulyukayev told journalists.

Finance Minister Anton Siluanov said that devaluing the ruble had been considered as a possible measure for stimulating economic growth at a meeting with President Vladimir Putin.

Siluanov called the idea an "absurdity," which could raise inflation.

Meanwhile, he pointed out that the Finance Ministry would not be against some devaluation of the ruble, but only if it is a result of market forces, and not via administrative means.

Increasing the dollar exchange rate by one ruble can raise about 190 billion rubles (\$5.9 billion) of additional revenue for the federal budget, Siluanov said.

2:07 p.m., Rosneft to Supply Additional Oil to China:

Rosneft will sign an agreement to supply additional oil to China, Energy Minister Alexander Novak said.

He also said that increasing the supply is unlikely to unbalance oil shipments, Interfax reported.

"We do not see particular risks now, but a lot will depend on Rosneft itself, on the geological exploration it will carry out, and on the production volume," Novak said.

Rosneft said it will be able to provide the appropriate production volume, he added.

The minister said the government will have the final word on the issue of increasing oil supplies to China via the Eastern Siberia-Pacific Ocean pipeline, as well as Rosneft's plans to build a petrochemical plant in the Primorsky region to process 30 million tons of oil.

No conclusive decisions have been made yet, Novak said, but the Cabinet will continue the discussions, which may result in the expansion of pipeline operator Transneft's capacity.

Earlier statements suggested that Rosneft will supply an additional 800,000 tons of oil to China in 2013 and two million tons the next year.

1:45 p.m., Russia and China Sign Agreement to Build Cross-Border Bridge:

Russia and China have signed an agreement to build a bridge over a section of the river Amur at the border between the two countries.

The two sides plan to start the building work on the bridge, which will be 2.2 kilometers long, at the end of 2013. Only 309 meters of the bridge will be in the Russia, specifically, the Jewish autonomous region, while the rest will be on the Chinese side of the border.

Pavel Grachev, general director of the Far East and Baikal region development fund, said that the initial projected cost of construction to the Russian side is 9 billion rubles. But he said that the figure will be confirmed following a tender, and that he expects the figure to fall.

Grachev said that it will be possible to involve private investors at a later date. At present, the development fund is providing finances for the project itself.

Iron ore, coal, chemical fertilizers, timber and other goods will be exported from Russia to China across the bridge, while mainly containers will come in the other direction.

In the first stage of the project, 5.2 million tons will be transferred across the bridge, and the figure will rise to 20 million tons upon realization of the second stage.

12:56 p.m., Foreign Currency Purchases Won't Affect Exchange Rate:

The purchase by the Finance Ministry of foreign currency on the market won't have an impact

on the exchange rate, first deputy chairman of the Central Bank Alexei Ulyukayev, said.

He also said that until August, when the system is due to be launched, there is time to rework everything, Interfax reported.

Earlier, Finance Minister Anton Siluanov said that currency purchases by the ministry to replenish the Reserve Fund will start in August.

Central Bank chairman Sergei Ignatiev said that this practice could become commonplace if it turns out to be fruitful.

But if part of the reserve fund has to be spent, in the case of a budget deficit, then the Finance Ministry will sell currency to the Central Bank, which will in turn sell these funds on the market, he added.

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11:43 a.m., Outflow of Capital From Russia Doubles Between April and May:

The outflow of capital from Russia doubled between April and May, first deputy chairman of the Central Bank Alexei Ulyukayev said.

Trying to offer a concrete reason for the outflow, he said: "There are complex reasons, perhaps we first of all need to understand why the outflow fell in April," adding that the bank does not yet plan to retract the official annual forecast based solely on this figure.

The bank's basic forecast for outflow of capital in 2013 was \$10 billion, Interfax reported.

On Wednesday, chairman of the Central Bank, Sergei Ignatiev, said that the net outflow in May was "very big; unexpectedly big." He said that concrete indicators will be published, probably when the summary for the second quarter is being presented.

Earlier, the Deputy Economic Development Minister Andrei Klapach said that his ministry estimated outflow for May at \$8 billion, almost twice as much as in April.

Net outflow of capital in the first quarter of 2013 came to \$25.8 million compared to \$33.6 million for the first quarter of 2012.

10:45 a.m., Privatization of Rostelecom Not Up for Discussion:

Communications and Mass Media Minister Yury Nikiforov said the privatization of Rostelecom is not being discussed at present.

The minister said that reforms of Svyazinvest and Rostelecom are being brought to a close at the present time, but that privatization of the latter company is not on the table, Interfax reported.

Earlier this week Kommersant reported, citing government sources, that the possibility of

selling the government's stake to Tele2 was being weighed up.

“There is no such scheme,” the minister said at the forum. “Theoretically all schemes are possible. But the question is this: What are the practicalities [of such a deal]?”

10:22 a.m., Russian Railways' Shares in Aeroexpress to Be Sold:

Russian Railways is planning to sell its share in Aeroexpress by the end of this year, company vice-president Valery Reshetnikov told journalists on the sidelines of the forum.

Russian Railways currently holds 50 percent of shares in Aeroexpress, the high-speed train service operating between the city center and Moscow's main airports. Earlier, when asked if the company had plans to privatize, Reshetnikov said it would be appropriate to sell 25 percent of their stake, Interfax reported.

Olga Dergounova, head of the Federal Property Agency, said that an auction or a tender Aeroexpress shares is the preferred method. "We believe that the method of competitive negotiation to maximize value, even if the winner is an existing shareholder," she said.

One of the owners of the railway company, Andrei Bokarev, estimated the 25 percent share at 300 million — 350 million rubles (about \$9 million - \$10 million). Bokarev owns 25 percent of the enterprise, and the remaining 25 percent is owned by businessman Iskander Makhmudov.

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