

Lack of Action Questions Forum's Reform Agenda

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The St. Petersburg Economic Forum opened Thursday with criticism of the government from German Gref, 2nd from left, and Alexei Kudrin, right.

ST. PETERSBURG — Amid the grandiose, ambitious slogans of this year's International Economic Forum, which opened Thursday featuring topics ranging from building efficiency in essential state-owned enterprises to making Russian jurisdiction "more comfortable for business," the need to shift from defining problems to acting on them loomed large across the conference rooms.

"Time to Act" was chosen by organizers as the overall motto of this year's St. Petersburg International Economic Forum, Russia's premier event in showcasing the country's economic policy.

The need to introduce comprehensive structural reforms that would bring competition into Russia's politics and economy has been a pervasive theme of this event during the last

several years, but this pervasiveness has also brought frustration: Little has ever followed the promising statements made here every year by top government officials, including President Vladimir Putin.

In addition, Russia's current turn toward China is largely seen more as a replacement for the much-needed reforms than a complement to them, according to business executives and experts attending the forum.

Hit by sanctions and the oil price collapse, the Russian economy contracted by 2.4 percent from January to April, according to the Economic Development Ministry, negating the growth achieved in 2013-14. For the first time since Putin took the helm of Russian politics more than 15 years ago, Russians' real incomes have shrunk, with the government expecting the decline to reach 9.8 percent by the end of the year.

Economic Soul-Searching

Sanctions and lower oil prices have only revealed the main weaknesses of the Russian economy, experts, executives and government officials agreed during the forum's sessions and in private conversations. The main obstacle to the economic and overall development of the country is a lack of structural reforms and pervasive mismanagement, both at state and corporate levels, they said.

"Crises are always a result of bad management," said German Gref, CEO of Sberbank, Russia's biggest bank, earning loud applause from the audience at the opening session, extravagantly titled "Economics: Frank Answers to Pressing Questions."

Together with former Finance Minister Alexei Kudrin, Gref offered sharp criticism of the government's handling of the economy.

"We always discuss yesterday's problems. Nobody even tries to discuss the situation that we will have in the future, in the era when what we see is not only vast capital outflows, but also an increasing brain drain," Gref said.

Kudrin went further by saying that the government is not only not doing enough, but that its decisions and actions often go against its statements.

"Unfortunately, apart from plans there are decisions, actions that go against the plans," said Kudrin.

Kudrin cited the example of Russia's de-offshorization plans that, according to him, will not spur growth and will only make entrepreneurs' lives more difficult.

Gref and Kudrin's criticism was echoed by some of the heads of private companies working in Russia.

"Russia is becoming a champion at burying its head in the sand," Irackly Mtibelishvily, chairman of corporate and investment banking for Citibank's Russia and CIS division, said at one of the sessions.

Promises of Change

Sitting in the middle of Gref and Kudrin, Deputy Prime Minister Igor Shuvalov attempted to deflect the criticism by saying that the government has made all the necessary plans and is committed to structural reforms.

Shuvalov also said that he hopes there will be more political competition in the country in the future.

"I expect the next State Duma elections to be different from the 2011 ones. We are preparing for this," Shuvalov said.

The previous elections to the lower house of the Russian parliament were widely seen as rigged and resulted in large-scale protests in Moscow and in other big cities across the country. The next State Duma elections are scheduled for next year.

Both Russian and international entrepreneurs attending the forum praised it for being a successful networking platform where they said they could approach government officials to solve their immediate problems and raise concerns.

At the same time, they said the fact that businessmen have to resort to solving problems in this way points to the lack of modern government institutions in Russia.

A Changing Audience

Top executives continue to attend the forum, now in its 19th year. This year's event is being attended by more than 1,000 participants from over 100 countries, said Deputy Prime Minister Sergei Prikhodko, who is chairman of the forum's organizing committee.

Attendance by senior Western politicians was, however, of a different order this year. While two years ago German Chancellor Angela Merkel came to the event and held talks with Putin, this year Alexis Tsipras, Greece's recently elected prime minister, was the only Western leader expected at the forum.

As though as a consolation prize, many former Western leaders came instead, including former British Prime Minister Tony Blair, who shared his experiences on reforming the public administration system.

Many of the forum's sessions addressed the same issues as those discussed last year and the overall feeling in the conference rooms was one of *deja vu*. Putin is due to deliver his keynote speech here Friday, but most participants did not expect any groundbreaking announcements.

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