

МОСКОВСКИЙ ЭКОНОМИЧЕСКИЙ ФОРУМ 2015

MOSCOW
ECONOMIC
FORUM

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MOSCOW
ECONOMIC FORUM 2015

A NEW COURSE.
TIME DOES NOT WAIT!

25-26/03/2015

About Moscow Economic Forum 2015

Theme: **A NEW COURSE.
TIME DOES NOT WAIT!**

Moscow Economic Forum — an international expert platform to develop strategic solutions and crisis management programs aimed at the development of Russia's economic policy.

The Forum analyzes the contradictions of today's dominant course of Russia's development, and estimates the potential of alternative development and the possibilities for its implementation.

25–26 March 2015

The 3rd Forum with the theme:

“The New course. Time does not wait!” took place.

Intensive preparatory work

May 28, 2014 a preliminary hearing on the topic:
“Tax incentives for the modernization of industry”

September 24, 2014 a preliminary hearing on the topic:
“Import substitution in Russia: how to avoid distortions and to realize the potential?”

December 9, 2014 a preliminary hearing on the topic:
“The Central Bank of Russia: Friend or Foe”

January 26, 2015 a preliminary hearing on the topic:
“The interaction of the Russian and German business in the new environment: economic consequences and ways of conservation partnerships”

February 16, 2015 a preliminary hearing on the topic:
“Anti-crisis program. Who should do what?”

March 13, 2015 a preliminary hearing on the topic:
“To overcome stagnation: reindustrialization and planning”

March 23, 2015 St. Petersburg International Economic Congress:
“Foresight” Russia: new industrial policy design”

Many see that the current model, modern economic policy can not provide a long-term sustainable economic growth and the economic development of our country. This policy should be changed.

We all see the huge potential of our country. We have the technology, there are people who want to work, there is a market, there are all the necessary resources. We need only the right economic policy, need right model that will allow us to organize and really move with confidence into the future.

Konstantin Babkin,

Co-chairman of the Moscow Economic Forum,
the President of the Industrial Union
“New Commonwealth”



The main problem of Russia's economic policy — the lack of intelligible goal setting. In order to modernize the economic structure and diversify export earnings, reducing its share in the money earned from the export of raw materials, will require a comprehensive structural policy with distinct priorities.

Ruslan Grinberg,

Co-chairman of the Moscow Economic Forum,
Director of the Institute of Economics



MOSCOW ECONOMIC FORUM 2015

25–26 March 2015

Extensive expert support

2 098 participants

from 21 countries

603 report

Forum Experts:

Konstantin Babkin
Ruslan Grinberg
Evgeniy Savchenko
Sergey Glazyev
Oksana Dmitrieva
Daisuke Kotegava
Vladimir Gutenev
Tair Mansurov
Boris Titov
Oleg Smolin
Yuriy Krupnov
Yuriy Boldyrev
Mikhail Delyagin
Pavel Grudinin
Andrey Danilenko
Valeriy Fadeev
Alexander Buzgalin
Vladislav Zhukovskiy
Walter Schwimmer
Sergey Arbuzov
Raf Shakirov
Grzegorz Kolodko
Sergey Serebryakov
Alan Freeman
Robert Nigmatulin
Falk Tischendorf
Uwe Leuschner





Extensive business program

46 events,
including **4** plenary discussions,
8 conferences
and **30** round tables
127.5 hours of productive work

Including:

Plenary discussion I

Topic: “The old model is exhausted.
Where is the world heading?”

The panellists were:
Ruslan Grinberg, Sergey Arbuzov, Alexander Buzgalin, Mikhail Weller,
Oksana Dmitrieva, Daisuke Kotegava, Boris Titov, Walter Schwimmer

Plenary discussion II

Topic: “Eurasian Economic Union.
How to realize the opportunities?”

The panellists were:
Raf Shakirov, Yuriy Boldyrev, Leonid Vardomskiy, Sergey Glazyev,
Pavel Gubarev, Grzegorz Kolodko, Yuriy Krupnov, Tair Mansurov,
Sergey Serebryakov

Plenary discussion III

Topic: “New Priorities — industrial
development and food security.
What hinders?”

The panellists were:
Valeriy Fadeev, Konstantin Babkin, Vladimir Gutenev, Evgeniy Savchenko,
Ivan Ushachev, Alexander Morozov, Andrey Bunich

Plenary discussion IV

Topic: “Integration of production, science
and education. How to stimulate progress?”

The panellists were:
Sergey Bodrunov, Ruslan Grinberg, Daisuke Kotegava, Mikhail Delyagin,
Robert Nigmatulin, Oleg Smolin, Alexander Tatarkin, Alan Freeman,
Vladimir Boglaev

The Forum developed basic measures
necessary for the implementation
of the economic potential of Russia.

THE NEW COURSE. TIME DOES NOT WAIT!

(Message of co-chairs of the Moscow Economic Forum)

Challenges are increasing

Over the last year the geopolitical situation around Russia seriously changed — the war of sanctions, the Crimea, the instability of exchange rates and oil prices — all the logic of what is happening necessitates radical changes in economic policy. It is now that the right strategy will not only help deal with the crisis, but also become the basis for a powerful internal development and changes in the role of our country in global politics. Market fundamentalism has died, but his cause lives on in Russia. It is obvious that the current economic policy can not offer effective solutions not only for the exit from coming crisis but for rooted economic problems.

We are losing time and international authority

During 15 “stuffed years” sufficient effort to make our country stronger and more resilient to crises has not been made. Commodities revenues and steady budget surplus had not given the development of any non-primary sector of the economy; Conditions for increasing investment activity and development of the national industry was not created; Institutes to ensure the revival of education and science, the reduction of social inequalities and the progress of human qualities was not formed; The outflow of capital and talent from the country was not stopped; a reasonable decentralization measures and development of the regions were not made; the dependence on food imports and the conditions for use the capacity of vacant land were not removed ...

Our development model is unattractive to others. This leads to the fact that anti-Russian and anti-Russian propaganda in Russia, and in some neighboring countries receives food and pictorial material for criticism, old historical and cultural ties torn, the credibility of our country reduced.

It is time to reconsider priorities

Government anti-crisis plan, impregnated with the spirit of neo-liberal, focuses mainly on the support of selected banks and do not provide significant change of economic policy, and therefore not able to provide overcoming of the crisis.

Working economy is the diversified economy that provides social justice, scientific, technological and demographic progress, sovereignty and defense capabilities. The core of such economy should be to create conditions for the development of non-commodity production.

It is obvious that an effective model of economic policy will let not only to overcome the crisis, but also to launch mechanisms of economic development.

WE KNOW WHAT TO DO!

Key measures necessary for the implementation of Russia's economic potential.

1 Sensible economic policy:

- To reduce the key rate of the Central Bank to the level of developed countries (0–3%) and the cost of Business loans (up to 5–6%);
- Abolish the tax maneuver: move commodity taxes (MET, excises) from the domestic market to foreign supply (export duties) and to ensure decline in commodity prices and tariffs of natural monopolies;
- To increase support for agriculture to the US and the EU level;
- To refuse to raise taxes in the real sector, to go to increased contributions to the budget by increasing production, instead of rates;
- To ensure real protection of the domestic market from subsidized imports;
- To increase the personal responsibility of state officials for making decisions that bring harm to the Russian manufacturers.

2 Sensible foreign policy:

- To achieve revision of unfavorable conditions for Russian participation in the WTO;
- Consider Eurasian Economic Union as the main geoeconomic and geopolitical priority;
- To improve and strengthen the program of development of non-oil exports and promotion (improve image) of Russian products to foreign markets;
- To refuse expensive fashion superprojects.

3 Sensible social and demographic policy:

- To stop epidemic commercialization and primitivization of education, science, public health and to ensure their accessibility for all citizens of the Russian Federation;
- To restore the system social mobility;
- To restore the State's responsibility for the development of scientific and technical and human resources, to increase the share of expenditure from the state budget for education, science, health and culture to the level of developed countries, to provide the public order in the field of scientific, technical and intellectual progress;
- Significantly increase the minimum wage, to facilitate reduction of the use of unskilled labor.

Yours faithfully,
Forum Co-Chairs

Ruslan Grinberg



Konstantin Babkin

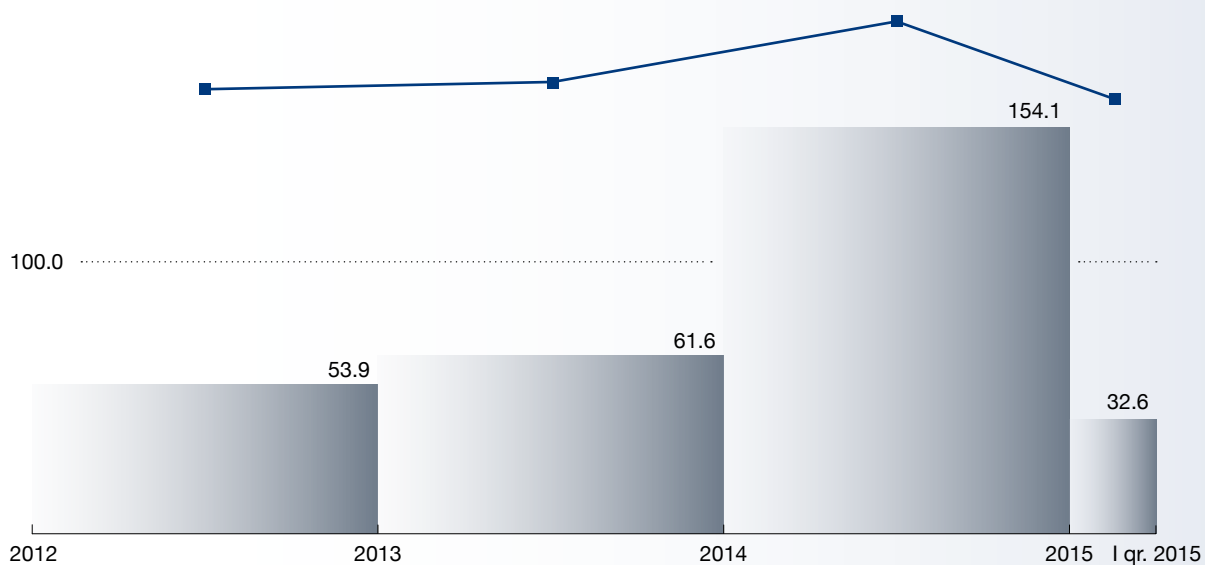


How to make a competitive economic policy?

Modern economic policy can not ensure long-term sustainable economic growth and this policy should be changed. Its priorities are the fight against inflation and a place in the international rankings. The actual development and improving people's welfare is replaced by an imitation of development and anti-crisis plan offers support to banks instead of supporting industries. All this enhances the outflow of capital abroad and reinforces the country's dependence on raw materials.

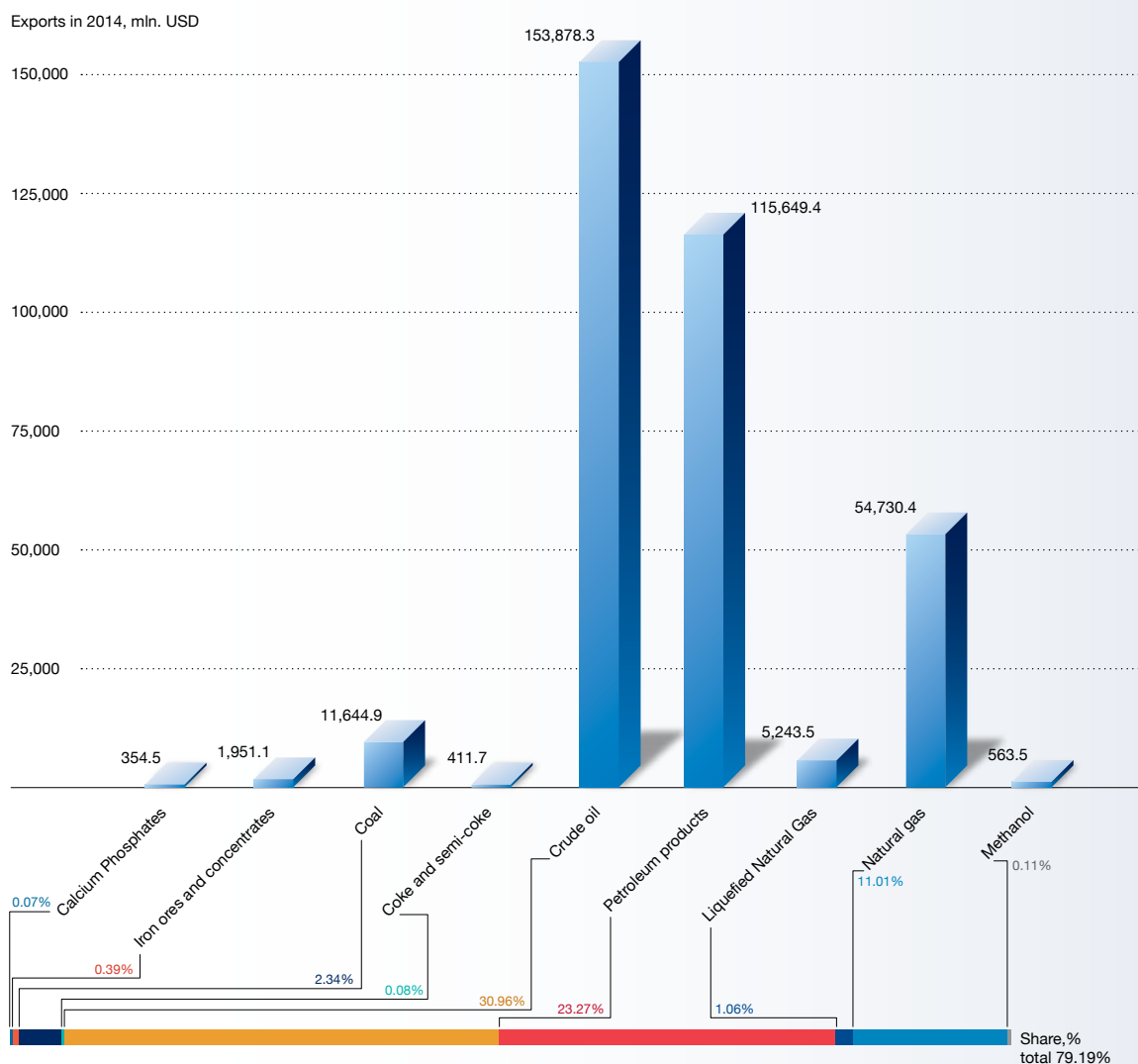
Dynamics of net export of capital by the private sector of Russia in 2012–2014 (in billion. USD)

Source: CBR



The share of commodities and a minimum value-added products exports from Russia in 2014 (in mln. USD)

Source: Rosstat



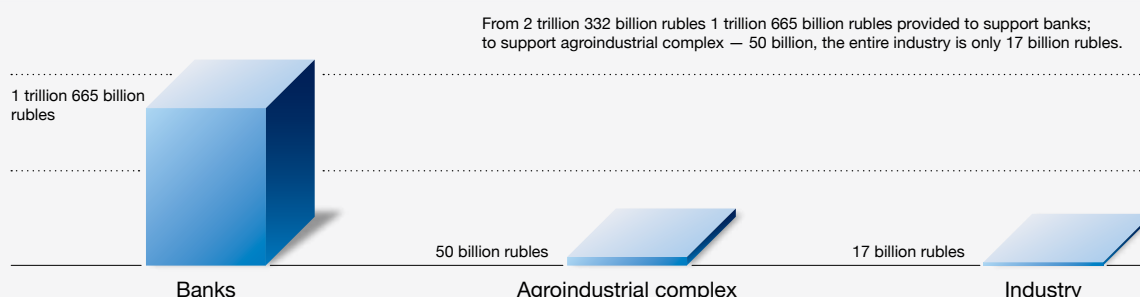
The anti-crisis program is a set of individual measures

Boris Titov, Business ombudsman

The main problem for Russian business — the absence of a system of economic policy. The lack of a course. People do not know where we're going nevertheless. In the context of this crisis, uncertainty is growing, and that anti-crisis program, which has been adopted — is a set of individual measures. Maybe separately effective, although they are mainly aimed at large businesses and banks. But it is not the system policy, which would put us on a path of further development.



Government anti-crisis plan is focused exclusively on the banking sector



The global objectives of development are replaced by imitation

Ruslan Grinberg, Co-chair of the Moscow Economic Forum, Director of the Institute of Economics

We really are living in conditions of unprecedented uncertainty. We are witnessing not only crisis of the economy but also the world philosophy crisis. Today, we must acknowledge the exceptional turbulence of the world, which is in a state of confusion.

Firstly, we are witnessing a multipolar chaos instead of a multi-polar order, which we all wanted to get. As the second point we have the return of hideous geopolitics with mutual threats, mutual sanctions that even a year and a half — two years ago seemed unthinkable.

We have a problem of hypertrophy of the financial sector. The global financial nomenclature seriously harms the balanced development of the real economy today.

The erosion of democratic institutions in the world, where democratic institutions are simulative, imitation. Very big impact executive. It begins manipulation lation of public consciousness. I think that this imitation and manipulation, unfortunately, in our country is of great importance, but in the world too.

The next point — global warming. We need international coordination simply so that we can all survive here. But this does not happen, because we are fighting for spheres of influence.

We have the threat of multiculturalism, when migrants from other countries can no longer live in peace in these countries. On the other hand, the indigenous population, too, can not tolerate them anymore.

Such forums like the one we are managing are called to somehow define a roadmap of our common survival.



We have to accept the fall of economy

Robert Nigmatulin, Academician of RAS, Director of the Institute of Oceanology of the RAS

The saddest thing we have is that the GDP is a falling, but all economists are talking about stagnation. What stagnation? It's falling! Since the power consumption falls, investments in fixed capital drops, once freight volume falling, what stagnation do we have to talk about? Dear economists, please look back, after all. The GDP have been falling for two years, while the percents have always been adjusted.



To walk five steps to healthy economy

Evgeniy Savchenko, The governor of the Belgorod region

Firstly, it is necessary to bring order to the pricing. It is necessary not to regulate the prices today, but to limit the level of profitability in the domestic market for all value chain from 10%, 15%, to maximum 20%. An exception should be the subjects engaged in production of innovative products and working for export.

Secondly, I believe it is necessary to establish the real exchange rate and fix it. In my opinion, now it is approximately 70 rubles per dollar, plus or minus 5 rubles. And to reduce it by the amount of inflation or to increase by the value of the deflation at the end of each month.

Thirdly, it is extremely important to reduce inflation to 2–3% per year. Inflation will surely decrease if the measures to limit the profitability of the economy will be at the same time complemented with the limitation of the growth of prices and tariffs for services of natural monopolies, for no more than 1 to 2% per year. As well as a decrease in the discount rate of the Central Bank within six months, I believe, to 1 to 2% per year. That will natural and lead to a decrease in the cost of credit in commercial banks to 5% per annum. In the period of stabilization of the financial system, I think it is advisable to divide the financial resources for investment and current bank. So did almost all countries in the world that had experienced an economic crisis.

Fourthly, it is necessary to revise the existing system of supporting the economy by replacing, in my opinion, one of measure — compensation of half the cost of purchased equipment for the implementation of projects provided for import substitution programs.

Fifth, to heat up the economy it is very important to develop infrastructure projects of national importance. I would say that one of them — the construction of modern roads and highways.



To change priorities

Konstantin Babkin,

Co-Chair of the Moscow Economic Forum, President of the industrial union “New Commonwealth”

The economic growth, development of the industry and agriculture, this are what should be the priority of Governments economical policy.

This means it is not needed to raise taxes, as was the case for the last ten years, but to reduce. Do not raise the interest rate of the Central Bank, but to make loans more accessible. We need a tax maneuver in the opposite direction to commit to the prices of the resources we have on the domestic market to fall. It is necessary to organize support for exports, protect the market from unfair competition, simplify management reporting. The government should really organize a large-scale projects in the transport infrastructure and regional development.

New industrialization, and even the desire for it, can give an answer to many issues our society facing.



Diversify the economy, focusing on regions

Radhika Desai, Professor at the University of Manitoba, Winnipeg, Canada

The internal problems of Russia are deep enough, but there is potential for us to take our rightful place in a changing world. International instability is much higher.

The fundamental goal — is to diversify the Russian economy, increasing jobs, improving the economy and competitiveness. All this can be achieved by following regionalization for achieving common interests (development, strengthening of economic, political and other ties between the regions of Russia).

The second point, is the financial sector should focus on the needs of the production and not on speculation.

The third point is that Russia has to be at the forefront of the international monetary system reform, which will displace the dollar and will eliminate the need to engage in speculation.

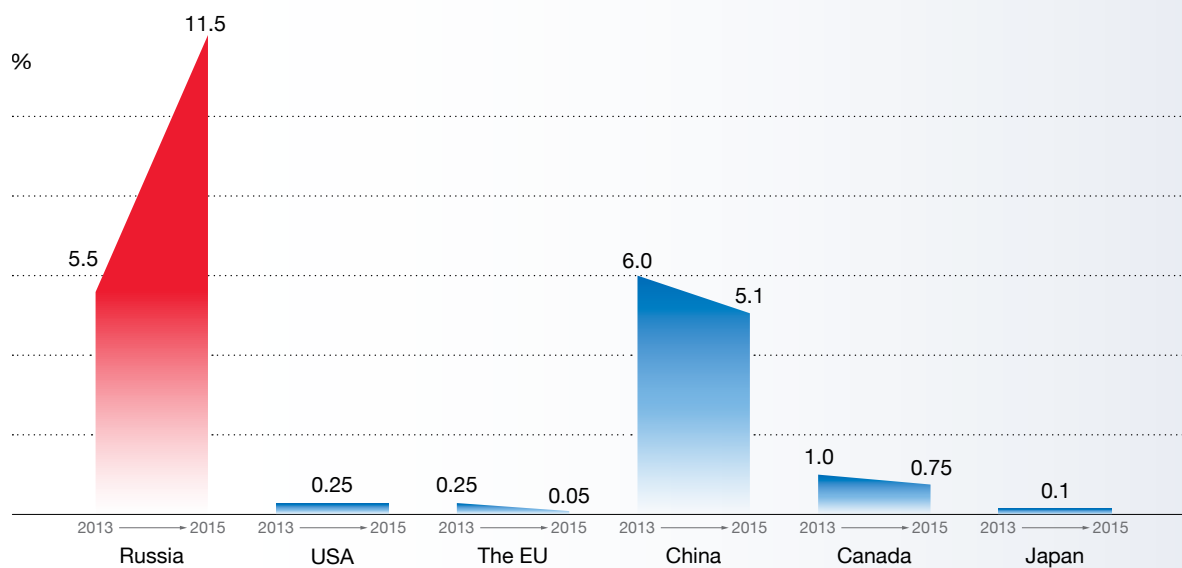


What the anti-crisis monetary policy should be?

At a time when central banks around the world are lowering the key rate to reduce the negative effects of the crisis, the Central Bank of Russia in four stages raised the rate by 70% and revoked the licenses of more than 100 credit institutions. This increases the risks in the economy, sows instability and makes inaccessible lending to the real sector. A significant part of the refinanced loans flowed into the currency market. High interest rates on deposits stimulates business to collapse production, and to place the money at interest.

Change of refinancing rate in the various countries in 2013–2015

Source: Central Banks Websites of the countries given below

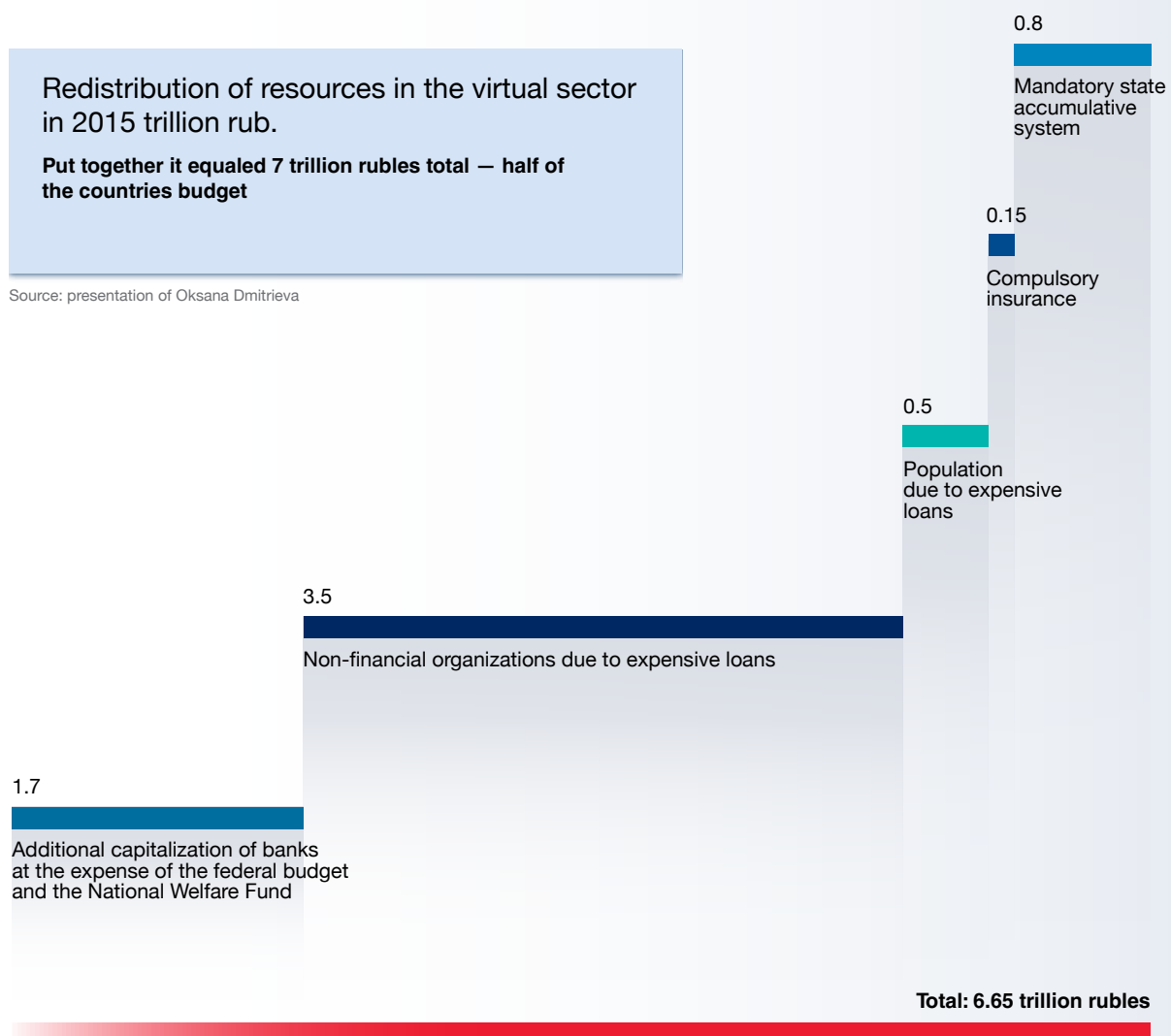


Increase of the key rate of the Central Bank is contrary to international practice and aggravates major Russian industry problem — the lack of long cheap money.

Redistribution of resources in the virtual sector in 2015 trillion rub.

Put together it equaled 7 trillion rubles total — half of the countries budget

Source: presentation of Oksana Dmitrieva



Central Bank stimulates speculation rather than real development

Sergey Glazyev, Academician of RAS, Adviser to the President of the Russian Federation

Rising interest rates, Central Bank cuts off the financial system from the real sector, cuts off credit to the real sector, so that all the liquidity begins to accumulate in the financial sector, leading to a whirlwind of speculation and financial bubbles.



Expensive loans

Yuriy Boldyrev, A member of the Russian Economic Journal Editorial Board, economist, journalist

When the chairman of the Central Bank acknowledges that the interest rate is prohibitive — it is her term — it means that Russia banned the production to market conditions. Before the New Year I went to see a friend in the company, and they have been a disaster. Because they need working capital, their devalued twice, plus more banks loans for working capital have become overconclude. It was 17% became — 35%. Mass bankruptcy started. Noisy or quiet closures. Because to make a profit of 35% is impossible in the real economy. Nothing to take it from.



Instead of supporting the banks have tightened requirements for borrowers

Irina Sheshero, President of the National Association of Investment

Support for banks leads to the fact that banks enter the currency market. When an investor is willing to invest in projects he needs a stable exchange rate, low key rate. For banks, we see tightening requirements for borrowers in several ways, as well, the key rate, which makes bank lending unaffordable for the business in general. Farther — curtailment of project financing. What does it mean? Project finance — this is where we can build a plant from scratch. Banks do not structure the project financing, even if they declare. You say: “Bring deposits exceeding the amount of the loan at 30%”, and it completely destroyed the institution of project financing. But the banks are in a prime position, I’m telling you this as a banker.



Pumping money from the real into the virtual

Oksana Dmitrieva, Deputy Chairman of the State Duma Committee on Budget and Taxes

What mistakes have already been committed by the government? Tax maneuver, increase the key rate up to 17%, sending last year surplus budget — 1 trillion rubles — for the capitalization of banks, the introduction of trading fees and other measures that discriminate against small retailers. Now the errors that the government is going to admit that its anti-crisis plan. This reduction of sequestration budget, it is the implementation of all measures of state support through a long chain of financial intermediaries.

Why to bomb factories, newspapers and steamships when simply can not allow their creation due to pumping funds into the virtual sector? Redistribution of resources in the virtual sector in 2015, together accounting for nearly 7 trillion rubles — half of the country’s budget.



To orient financial policy on the development of the real sector

Andrey Bunich, CEO of the International Fund for the Promotion entrepreneurship

All the financial mechanisms should be built on for attendance, in the first place, of the real sector interests, to intensify economic growth, to develop industry and agriculture. The Law on the Central Bank has no purpose to promote economic growth, there is no purpose to encourage investment. This law must be changed. Therefore, if there will be some individual orders, they will not work. The President may, of course, help to instruct, say, the Bolshoi Theatre, but whether it will address the issue? Will not be. It is necessary to change the law of the Central Bank itself so that it is oriented to economic growth. In fact, economic growth in both the US and China for the most part is not caused by bank lending, but namely by private equity funds, hedge funds, funds of many private companies, which are at their own risk investing in various projects. And we need to do the same at home. But here it all comes down to the banks, which are overwhelmed by bad loans.



To reform the banking system

Nikolay Ostarkov, Vice-President of "Business Russia"

We need a two-tier banking system vertically, plus we need two types of banks across — it's banks and credit-deposit banks and project financing.



To create the development budget

Vladimir Fedotkin, A member of the State Duma Committee on Budget and Taxes

Without the development budget we will have nothing. We have in this year's budget by 30% laid reduction program costs for improving the competitiveness of industrial production. And for strategically heavy machinery, machine tool — there were almost zero, and now even reduced by 10%. For creation of a favorable investment environment reduced in relation to 2014 by 40% in 2015. Who is making the task to reduce by 10% more! Almost one and a half times. I think that the past investments, which were still, and they will run away from us completely. Fostering innovation — reduced by 30%. Our goal is the creation of the development budget. At one time we refused it. And life has shown that we have made a huge mistake.



To provide cheap long-term loans

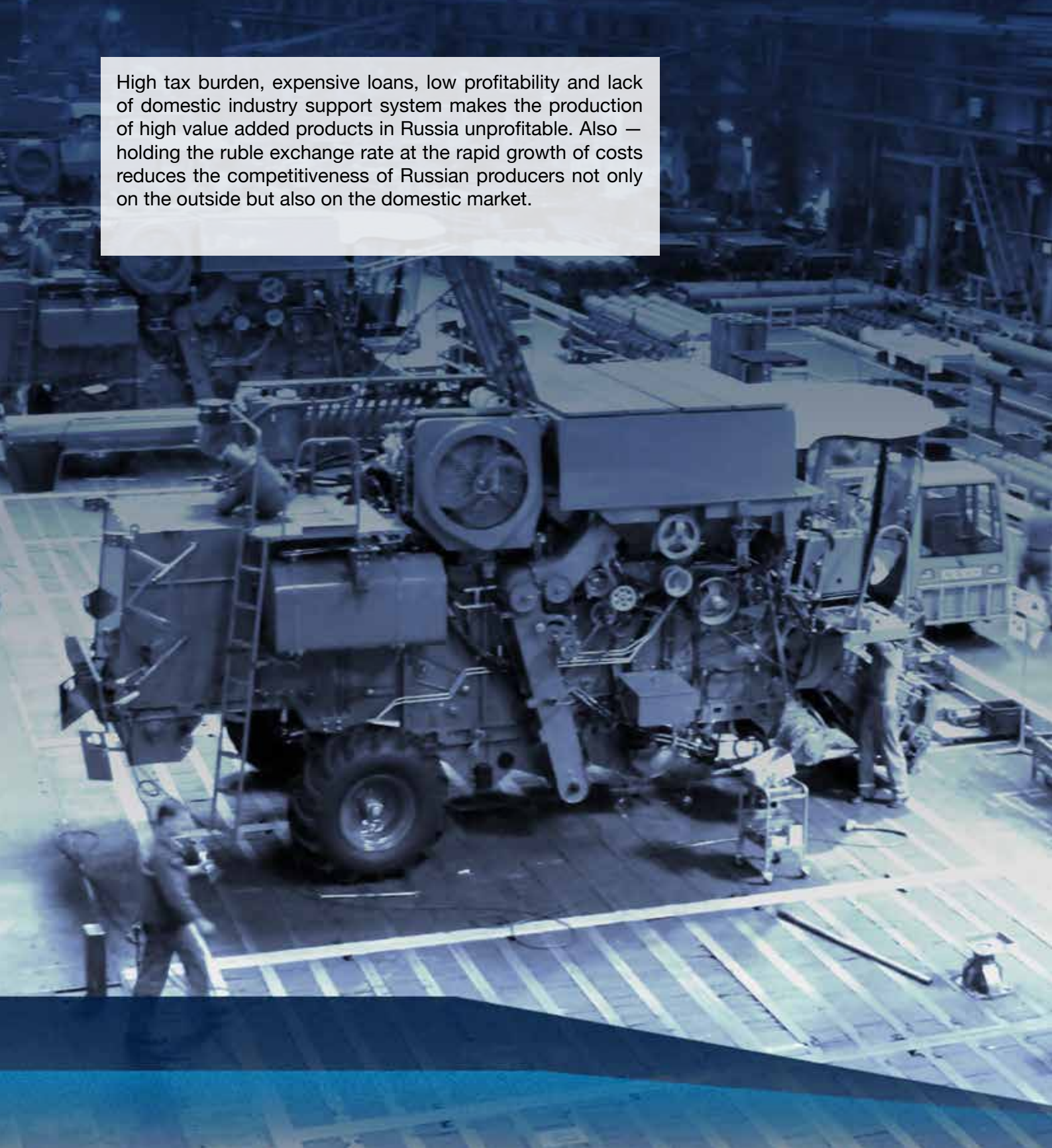
Dmitriy Mityaev, Deputy chairman of the SOPS Ministry of Economic Development and the Development of Russian Federation

The main question is the investment money. We need to issue long-term loans at 0.1% per annum for the refinancing of the economy, the economy, as well as the Central Bank has, in fact, \$1 trillion. issued on the reorganization of banks: 300 billion — Bank of Moscow, 130 billion — "Trust", 100 billion — "GLOBEX" and so on... For banks that are socially close to our CB. To save their "favorite" you can do this, but to make advanced economic growth it is prohibited.



How to make production in Russia profitable?

High tax burden, expensive loans, low profitability and lack of domestic industry support system makes the production of high value added products in Russia unprofitable. Also — holding the ruble exchange rate at the rapid growth of costs reduces the competitiveness of Russian producers not only on the outside but also on the domestic market.

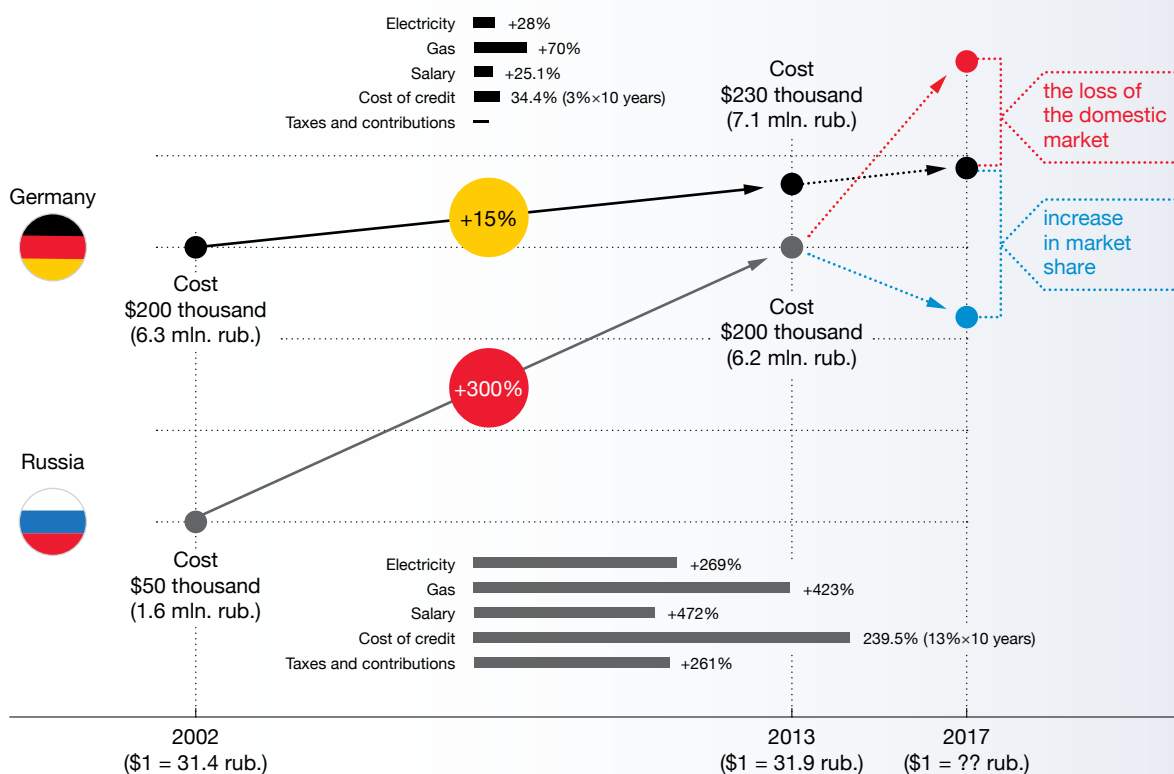


Keeping the ruble reduces the competitiveness of the industry

* By the example of changes in the value of Russian and German harvesters

The key rate of the Central Bank influences the cost of national production. So artificial retention rate of the ruble in 2002 with the rapid growth of costs has led to a significant reduction in the competitiveness of national industry in 4 times (+269% electricity, gas +423%, +261% taxes).

Source: Rosstat, Eurostat



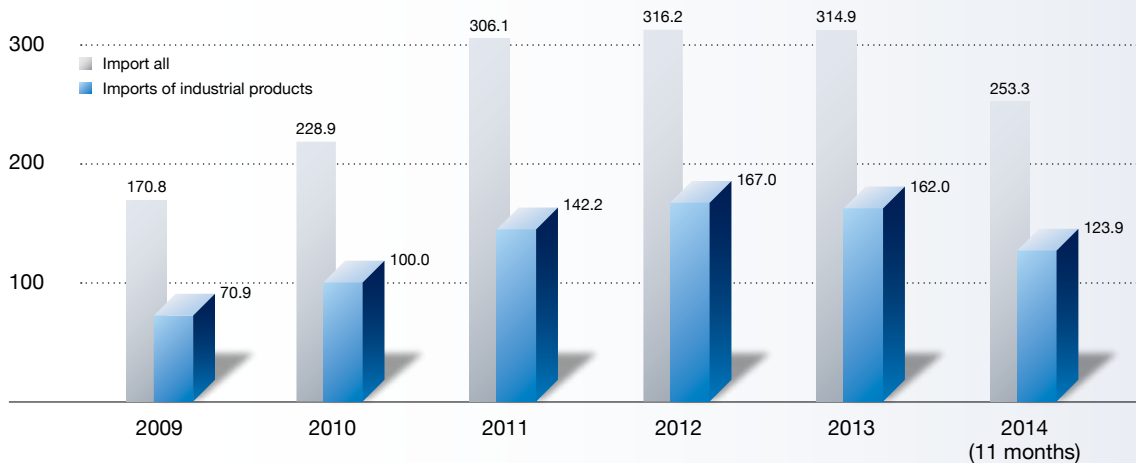
Dynamics of imports of industrial products (excluding commodities and goods with low value added) in 2009–2014 years, billions of USD

Source: UN Comtrade

The share of industrial production, %



Imports, bln. USD



Expensive loans for the industry

Vladimir Boglaev, General Director of OJSC “Cherepovets Casting and Mechanical Plant”

Talking about the implementation of import-replacing technologies at an interest rate of about 20% and having risen in price multiple of imported equipment necessary for import substitution technologies, in my opinion, ridiculous.



High taxes

Mikhail Abramov, General director of the scientific-production company “Polytehnica”

The main problem lies in the fact that it is not profitable to produce in Russia. We must lower taxes so it would be profitable to work. Then all will pay, and the budget will receive twice as much than now.



No state planning

Georgiy Tsagolov, Professor, Doctor of Economic Sciences, Academician of RANS and the International Academy of Management, Member of the Russian Union of Writers

There can be nothing: no industrialization, re-industrialization, import substitution, if planning system, which exists in other countries (China, Vietnam), but is thrown out at ours, will not be restored. It must be admitted! But not in the form in which it was, and which discredited itself in the Soviet times. But in the form in which it operates in China. Combined with the market. We combined the worst features of capitalism with the worst features of socialism. And it was necessary to do the opposite.



No program to support the national product and import restrictions

Sergey Bodrunov, Chairman of the MEF International Committee, Director of the Institute of the new industrial development named after S.Y. Vitte

As soon as we do not have the national product — to meet the material needs of the people there is the need for imports, and imports — is a kind of a vacuum cleaner, which pumps money abroad in payment for services and foreign producers. And since the funds does not go to domestic producers then national production automatically withers.



No ambitious tasks in the industrial development

Valeriy Fadeev, Editor in chief of “Expert” magazine, member of the Public Chamber

I believe that in today’s Russia there are very good conditions for the organization of industrial and economic growth. Low oil prices. The ruble is not overstated. Adoption of protectionist measures. In general, it seems to me, is a very good environment. But from the executive branch we hear that this year will be a recession, and when will be the economic growth is unknown.

I think the problem lies in the fact that ambitious goals are not given. You must certainly put ambitious, serious, big problem.



To create a stimulating tax system

Vladimir Levchenko, A financial analyst, radio host

It should be using the same tax base to increase taxes in the commodity sector, export, leaving out the exchange rate, so that they received it, and reset the tax, and perhaps even stimulate high-tech sectors, agriculture. And the money from the same commodity sectors will come back, will create new jobs, with tech. And all this will work.



To limit imports and promote exports

Vladimir Gutenev, First vice-president of the Union of Machine Builders of Russia, First Deputy Chairman of the State Duma Committee on Industry

Prospects for the Russian industry development may be related to the implementation of export-oriented model of import substitution. This model will create a domestic competitive products both on the domestic and foreign markets. This is confirmed by international experience. The most effective policy of import substitution was implemented in South Korea, China, Brazil. There was initially solved the problem of restrictions on imports, and strengthening the protection of the domestic market, and then later carried out the transition to the model of export-oriented economy. An important source of investment in these countries, especially at first, were revenues from exports of raw materials and agricultural products. We also need to give the industry a long-term and cheap credit. We need to link subsidies for investment projects, not to the refinancing rate, as is the case at present time, but to the key rate of the Bank of Russia. It is necessary to provide access to infrastructure and services of natural monopolies at competitive prices, avoiding unjustified increase of tariffs.



To destroy stereotypes about the lack of competitiveness

Alexander Morozov, Director of the Department of Transport and Special Machinery of Ministry for Industry and Trade of the Russian Federation

The most important thing is that hinders us today is the thing called stereotypes. Officials from the Ministry of Agriculture, my colleagues often with the heads of large agricultural enterprises believe that the Russian equipment while harvesting loses half of crop or breaks down every five minutes and has to be repaired. That's the stereotype, when we say that the Russian equipment today is a backward or outdated, we are trying to break. It is a challenge that confronts us all, if we want to develop the Russian economy. Today, the same "Rostselmash" sells appliances in Canada, America and Germany — the homeland of agricultural machinery. "Rostselmash" co-financed with the state is developing a new class forage harvester, a capacity of 200 tons per hour, and most importantly — it will be an autopiloted unit, without human intervention, which itself using GLONASS will go on the field and make all transactions.



To change management system

Hanon Barabaner, Director of the Institute of Economics and Management, honorary citizen of Tallinn

In the context of crisis re-industrialization in Russia is something that is necessary. It is absolutely clear that raising the issue of re-industrialization of all areas and all sectors of the economy — it's a fantastic challenge. It is necessary to allocate no more than 10–12 priority, preference areas or industries that will play the role of locomotive to lead a conjugate of the industry. And it is important not only to introduce new technologies, but the most importantly change management system. The current system of economic management is essentially does not stand to the task. Three new structures required. Defines the structure — RAS and various sectoral institutions, which should determine the level to which you aspire. Generating structure — new plants, or upgrading of those who are working. And the third — the management structure. We clearly need to describe the situation, and to say that we understand what is going on, we know what to do, and we need to ensure that those who determine the possibility of doing this took this.



To invest in the latest technology

Alan Freeman, Professor, London Metropolitan University (UK)

We need to talk about the strategy of export-oriented. If you invest today in modern technology, in 10 years you will become a supplier of these products to the rest of the world, for example of China.

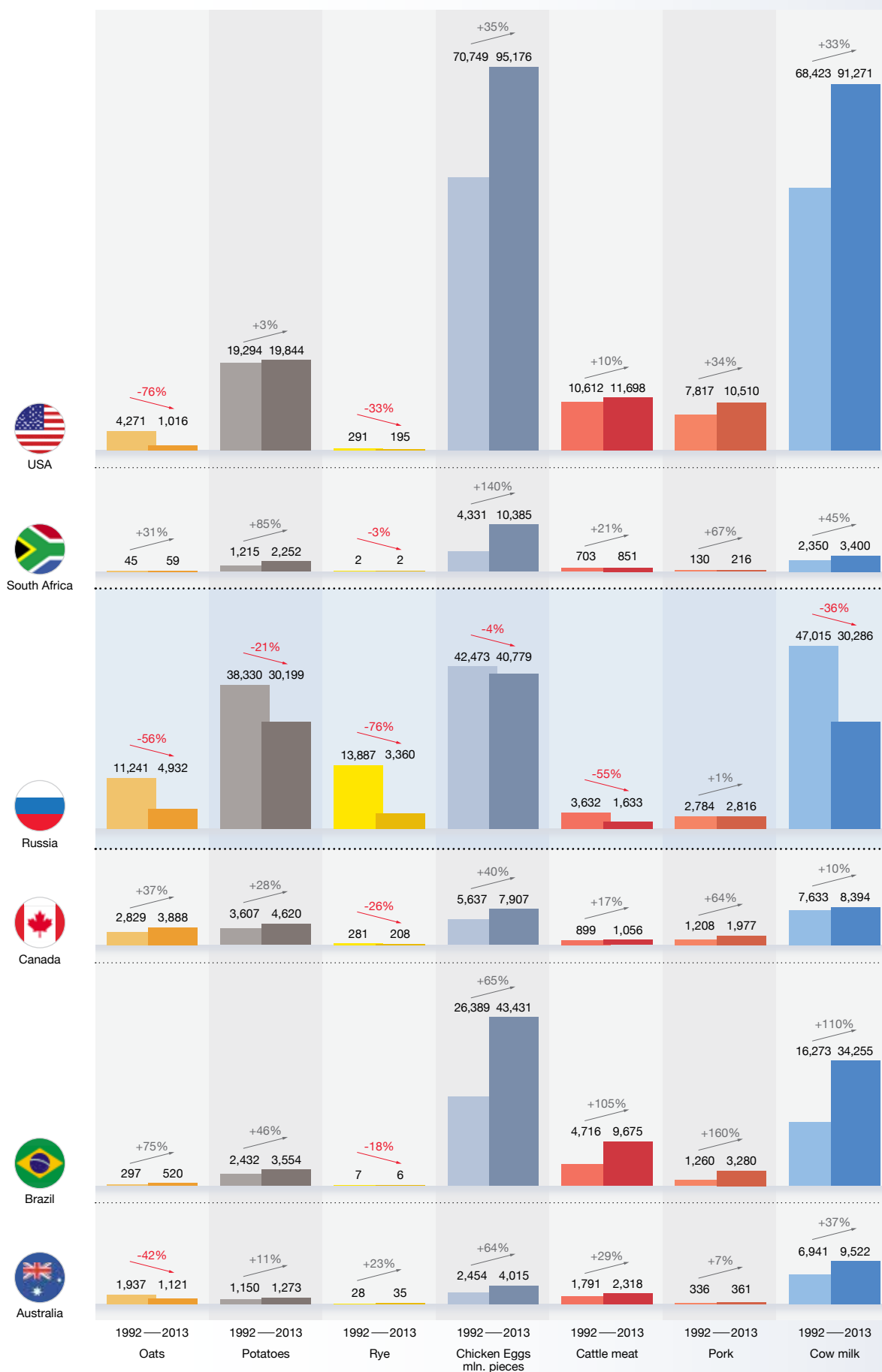


How to become a world leader in the agricultural sector?

Russian agricultural sector has great potential and good economic policies can increase agricultural production by 3 times to raise the standard of living in rural areas is 2.8 times, significantly increase the export of Russian products to foreign markets. Now the main problems in rural areas are expensive and inaccessible credit, insufficient for the development level of government support and the absence of a mature Agrarian Policy.



Changing the production of basic agricultural products in the world, for the period from 1992 to 2013, in thousand tonnes



Lack of investment in agriculture

David Epstein, Professor, Doctor of Economics

The government raised its key rate by a central bank and loans have become virtually inaccessible. We need investments. There is profitability. At the expense of the profitability it is possible to invest a little. Costs are rising more slowly than the price increases. Profitability of ours will hopd for another year — two, and it is necessary to use it to seek subsidies for imports that gives us the equipment.



Instead farmers subsidies subsidize banks

Andrey Danilenko, Chairman of the National Union of Milk Producers

The main problem in the development of domestic production — is the cost of credit, which has always been a limiting factor. More than 70% of the funds allocated by the state for agriculture goes to subsidize the banking system.



13–14% of the refinancing rate

22% (at least) the credit rate for agricultural producers

23–26% for investment credits

Exceeds 10% interest rate in 2014

Low profitability in agriculture sector

Alexander Kharchenko, Chairman of the Agrotechnological Committee of the National technological Chamber of the Russian Federation

The profitability ranged from -3% to +5%, subject to the availability of public subsidies. In some regions, of ours it was -30% profitability on wheat last three years. Somehow, no one is disturbed with this fact. The crisis in agriculture is going down crisis for all sectors of the economy.



To improve the agricultural policy

Ivan Ushachev, Director of the All-Russian Research Institute of Agricultural Economics, Academician of Russian Academy of Sciences, member of the Presidium of the Russian Academy of Sciences

It is urgent to solve the problem of increasing agricultural yields. This is the most sensitive spot. You have to go in several directions.

The first — to restrict price increases for material resources, and transportation tariffs at least for technology markets, where state-owned companies dominate.

The second — an increase in the proportion of farmers in the final retail price of food. The most promising, as in many countries, is the use of the principle of agricultural cooperation that can eliminate unnecessary intermediaries, to improve access to the end consumer.

The third — to improve the system and mechanism of purchasing interventions, expansion of the list of the purchased products and the introduction of minimum guaranteed prices rather than stock trading.

Fourth — the level of support for agriculture should be comparable with the developed countries of the world. It is extremely important that agricultural producers knew the state support, guaranteed for 3–5 years, so that he could plan their production and its investment activities.



To invest in Agriculture

Pavel Grudin, Director of “State farm named after Lenin”

If we want to replace imported products, we need to ensure that investment in agriculture, which are now either frozen or reduced. Given that all technologies we buy in the West, it is difficult not to see that prices in euros and dollars immediately halved allocations in this sector.



To use the experience of countries-leaders of the the agricultural market

Oleg Ovchinnikov,

Director of the Center of Agrarian Problems of the Institute of USA and Canada Studies

The US experience allows to distinguish five basic principles of the organization of an effective system of state regulation of agrarian sector.

Firstly, it is the complex nature of agricultural policy. The main objective of these measures will eventually be reduced to the most complete food security of the country.

Secondly, the most important feature of US agricultural policy is the centralization of state administration the agricultural sector, where almost the entire agricultural policy is conducted at the federal level. This is due to the fact that food security is an essential part of national security, and with this in mind, solved exclusively at the federal level.

Third, the unique role of the USDA should be noted. The US Department of Agriculture — a powerful regulating, guiding and research center in the agricultural sector. It has representative offices in all regions of the country, and directly comes out almost all members of the agrarian market.

Fourthly: the basis of the US legal framework regulating agriculture consists of federal agricultural laws passed every 5–7 years. This is a list of programs, with the planned indicators of their funding. This continuity allows for continuous improvement of the regulatory process. Erroneous decisions openly discussed and replaced by new programs, and the allocation of funds for these programs is carried out according to strict rules, it is transparent and does not depend on decisions of officials.

Finally, US agricultural policy differs dynamism of development and the large number of regulatory instruments. They are constantly improving, the main purpose is to optimize the country's agricultural policy in general. And this improvement is not only in the years of crisis, such as during the Great Depression of the 30s, but quite intensively in good agricultural periods, as, for example, the beginning of this century.



To develop the sector's competitiveness

Alexander Korb, Vice-president of the Russian Grain Union

Do Russian agrarian sector competitive? Export shows that, yes. 2014 — 19 billion, more than the export of weapons. At the same time the economy of farms generally terrifying. In our report on natsdokladu today began to show the level of profitability, taking into account subsidies. There are positive numbers. Without subsidies, it is minus values. I understand that agricultural enterprises are all different, there is the most effective, excellent enterprise, but the average for the hospital it turns out — is ineffective. This year, a profit tax for agricultural companies — 213 billion rubles, ie, two times larger than in the past year. A margin excluding subsidies then we get the same -5.3%.



How to overcome the disintegration of production, science and education?

Breaking ties in the education system–production–science has led to the loss of competitiveness in several areas. Today, only 20–30% of the graduates of vocational schools are arranged work on a specialty, enterprises can not find qualified professionals, and universities provide training on obsolete equipment and plans that do not meet modern technical progress. It practically zeroed innovative component in industrial production.

The disintegration and the loss of entire production lines

Sergey Bodrunov, Chairman of the MEF International Committee, Director of the Institute of the new industrial development named after S.Y. Vitte

Today, in all major areas of industrial production there is the effect of “d”. This disruption of the production process, reducing the level of organization of production and management, degradation of the technologies used, deskilling of labor in production and de complementation of this — the destabilization of the financial and economic state and the disintegration of relationships between enterprises. The economic result of this phenomenon — the overall decline and the loss of entire areas of industrial activity.



The low level of scientific and technical developments

Vladimir Gutenev, First vice-president of the Union of Machine Builders of Russia, First Deputy Chairman of the State Duma Committee on Industry

In the international ranking of “Global Innovation Index” we occupy a place in the eighth ten between Mexico and Jordan. The uncertainty in the financial and credit policy, which is now at its core is not oriented to support industrial development. Lack of efficiency of the domestic market of scientific and technical developments. Although in our country we are the third largest in the world after the US and Japan in the number of professionals who work in the field of scientific and technological research, the actual development is extremely small. It requires analysis of why so many people are engaged in scientific research and their effectiveness is so low.



The lack of state planning

Alexander Tatarkin, Director of the Institute of Economics of the Ural Branch of the Russian Academy of Sciences (RAS)

A bunch of “Industry–Business–Science–Education” will not work until the state will not enter that bunch. Unfortunately, we see that the standards that exist today in public education does not correspond to the existing production needs.



The course on the integration of science, education and industry

Oleg Smolin, First deputy chairman of the State Duma Committee on Education

Four whales of the new course:

The first — a high technology. Now the level of innovation in Russia, according to Vice President of Nano-technology Society George Malinetskiy fell in five–seven times in comparison with the Soviet period, the production of innovative building about 0.5% of what we produce. *The second whale is strategic planning.* I draw your attention that in the XXI century almost all strategic programs failed. *The third thesis —* we need the distribution is much more related to job performance. 110 dollar billionaires — 37% of the national wealth, 1% of the population — 71% of the national wealth. No country of G-20 does not know, and at the same time, the State Duma repeatedly fails even the most moderate bills associated with a progressive income tax. *The fourth whale —* it is the human potential, turning into human capital.

The key to human potential — education. What's happening now? Our authorities have closed 26 thousand Schools, and not in dashing 1990s but in 2000s. In the 1990s, only one thousand. Has anyone considered the effect associated with the disappearance of villages after the disappearance of the school? And this is not just a matter of education, but also to national security. Now in the Government program is expected to close to 40% of universities and 80% of branches. Probably, there are universities, which need to be closed, but has anyone considered the effect? After all, with small towns will be the same as before with these villages — young people will leave in search of education.



To use positive private experience

Vladimir Boglaev, General Director of OJSC "Cherepovets Casting and Mechanical Plant"

Very tired of talking. We have created in Cherepovets on the basis of our enterprise engineering experimental test site in the city for our own money on our ideas. On the plant, which employs just over 500 people, we taught students of eight training organizations the total number of nearly 250 people for a year. The effect is striking. The quality of training of professionals in the procedure was higher — it's obvious. The fact has been recognized in the city is very positive and good, so a year later another training ground opened — the technical and chemical, a year later the building polygon. But more interesting, that after such results of this educational polygons there were no demand not in country, not in department of education.



To increase funding for science, education and industry

Daisuke Kotegawa,

Executive director of the International Monetary Fund (IMF) from Japan in 2007 and 2010

The Japanese government believes that the US and Japan — the leading country in the field of science and education. In order to maintain the leading position in the last 10 years in the national budget, we have increased the allocation for science at the highest rate. And a large number of universities have received the money at the expense of the budget. It is certain the secret of the Japanese success and Japanese industrialization in the postwar years. Many industrial state corporations have been established for the last 30 years, and it is in those areas that are really considered priorities in a state.

Funding for these structures is done by four government corporations in finance. Private — for the smallest businesses, gives a loan to entrepreneurs who do not have assets to pledge. And the amount of money is given without collateral in order to start a business. Small and medium-sized companies are provided with borrowed funds at a very small percentage on the long term. There are some government financial corporations for agricultural businesses that serve the interests of the peasants. For big business, too, has its own structure, and when the company needs serious money, the state connects. It is the state that becomes the provider of the innovation process.



To equip the educational institutions with ultra-modern equipment

Vladimir Tyutyuryukov, Assistant Professor of KIMEP University

Fifty years ago in university laboratories in Germany was said: "Our equipment, which is in the laboratory, will be used in the production in ten years. And our graduates should already be prepared for the possibility to work on such equipment".



Eurasian Economic Union. How to realize the opportunities?



The Customs and the Eurasian Economic Union can give a big boost to the development of the economies of the participating countries. However, without national production support system for the creation of special economic Zone it is useless step, because within the borders of the Union mainly imported goods circulates.

Pros of the Eurasian Economic Union

“A classic formula: a free trade zone—Customs Union—an economic union. We passed this stage in a shorter time than in Europe”.

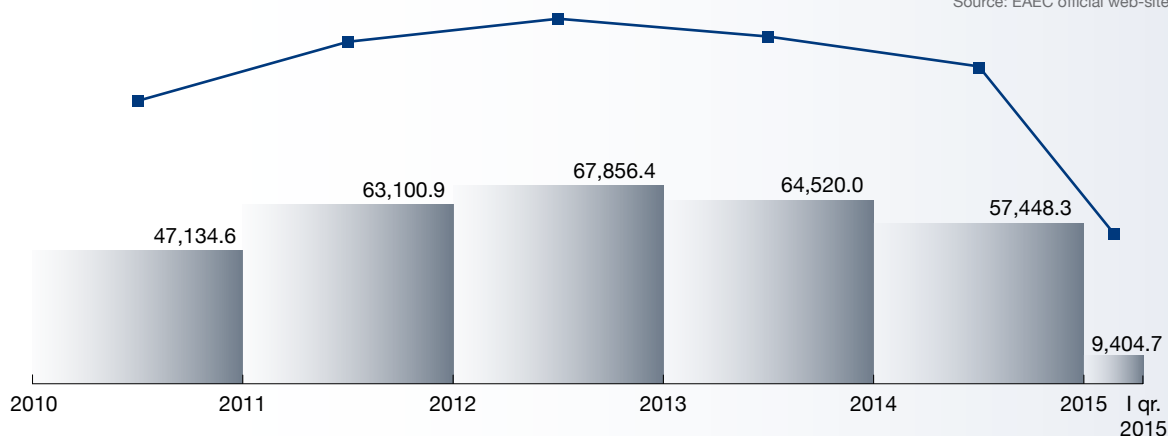
Tair Mansurov, A member of the Board of Energy and Infrastructure of the Eurasian Economic Commission

Cons of the Eurasian Economic Union

The effect of removing the borders have been exhausted and there is a decrease of mutual trade: immediately after the abolition of customs barriers there have been an explosive growth of Customs Trade. In 2011, it grew by 40%. Next year — 15% more, and in the past two years, there was no growth. From 2000 to 2014 the proportion of countries CIS in Russia's foreign trade decreased from 20–25% to 12–13%.

The dynamics of mutual trade of the member countries of EAEC, mln. USD

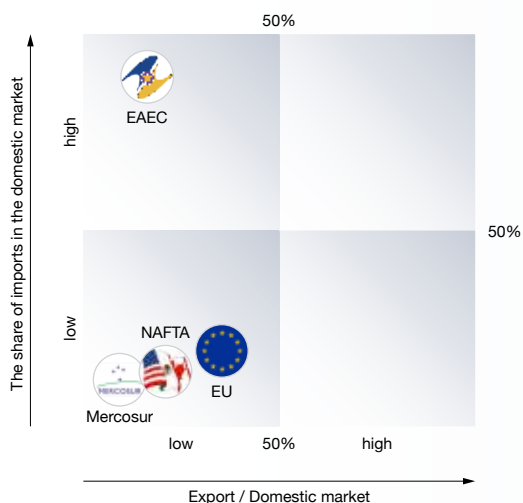
Source: EAEC official web-site



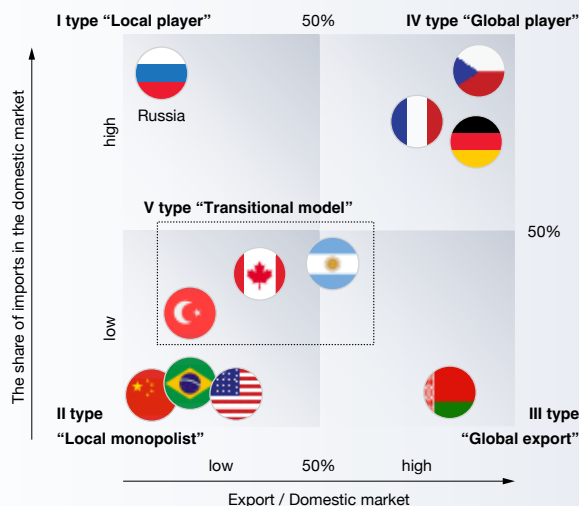
The success of the Union depends on the creation of a united industrial and economic development policy of Union member countries as well as the availability of benefits to the countries that this agreement is not involved. For example, high external tariffs, union Mercosur lead to the fact that Argentina, Brazil, Paraguay Uruguay and import goods from each other, even if they would be more profitable to buy somewhere else.

In Russia, the share of non-resource development is weak, and thus the majority of preferences can not be realized by the creation of an economic union (such as an increase in size of the market, the best trading conditions, the spread of advanced technologies, etc.).

Effectiveness Matrix of cooperation between the countries in the framework of trade associations (The ratio of imports and exports to the domestic market) on the example of agricultural machinery markets



Analysis of the existing models of the agricultural machinery industry



Source: United Nations Commodity Trade Statistics Database, "Rosagromash" analytics

There is no overall strategy for the development of EAEC countries

Sergey Glazyev, RAS Academician, Adviser to the President of the Russian Federation

Now we are talking about that we need to fill this single economic space with some general development strategy. Our scientists have shown that the main effect of integration is achieved through an overall development strategy. Removing the borders and creating a common market is not enough, because it is important that our products are circulating at this overall market, and our manufacturers must be the masters of this common market. And if the general market will treat foreign goods, for whom we try?



Corruption hinders integration and development

Grzegorz Kolodko,

Professor Kozminski University, Polish Minister of finance (1994–1997, 2002–2003)

A year ago, here at the plenary session of the MEF, I asked the question: “Where does the world go? Where does Russian go?” Where goes the world — the answer already was. And then I said: “Where does Russian go — devil knows”. A year had passed, and already the devil does not know where Russia goes. What are we talking about? Regional integration in the former Soviet Union, that is — the reconstruction of the Soviet Union or Russian Empire? For the economist the most important question: on what basis the integration will be built? Mother Russia will again dominate other countries, or it will be a partnership between the two countries? The integration process — this is a good response to the challenges of globalization, which I consider an inevitable process. With better support competitiveness, better to raise the standard of living, it is better to use the process. But this may not be the integration of corrupt countries, this may not be the neo-liberal economy.



Russia is focused on Europe, rather than the cooperation within the EAEC

Leonid Vardomskiy,

Head of the Center for Comparative Studies and transformational issues the Institute of Economics

We have double-Eurocentrism — foreign and spacial. 70% of the economy is concentrated in the European part. It is naturally oriented towards Europe, it happened historically. Has anyone thought about what impact the rapid growth of the Asia-Pacific Region (APR) will have on the spatial development of Russia? It seems to me that nobody thinks about it. It is clear that this is not a matter of one day, and it's a great long-term strategic work to which our bodies who are responsible for the development of the country, probably not used to.



To make Eurasian economic union “delicious”

Sergey Serebryakov, Director of the St. Petersburg Tractor Plant (PTZ)

Formation of the Eurasian Economic Union is the right trend. The union seriously enough facilitates the work of the producers. But we must move faster, further and deeper. Single currency market — this is very good, but we need to build and single-bank financial system. The main threat to the development of the Eurasian Economic Union is in the internal problems of the Russian economy. We should become delicious to integrate faster. There is something stronger than all the armies in the world — is an idea whose time has come. The time has come to change. Russia needs a complete reformatting of economic policy.



To focus on strategic projects

Raf Shakirov, The president of the Debating Economic Club “Dialogues”

Can we move on to other tactics — to isolate the most strategically important for the Union projects and to focus on them? If you look at China, which closely relates to this, you also know perfectly well that the tanker fleet there was laid a decade ago, in order to carry oil now, the Chinese at their own expense extends Panama Canal for a long time. The Northern Sea Route, which we only reflect now, the Chinese today, are ready to serve it by nearly 60%. Here it is, strategic thinking — *decisions laid decades ago*. Now we wonder why the Chinese are so pulled forward.



To increase the economic potential due to internal resources

Tat'yana Malakhova,

Lecturer of the Department of World Economics and Management, Kuban State University

In the context of global instability Russia has not become the center of power, which it was in Soviet times. Under current conditions, it is becoming increasingly dependent on political and economic decisions of individual countries, integration groups, international organizations, in particular the World Trade Organization, infringing interests The Russian Federation in the sphere of foreign economic activity. It is possible to emphasize that a significant dependence on the external environment — a road to nowhere. Russia should increase its economic potential at the expense of internal resources, allowing more resistant to experience the ongoing processes in the world. In modern conditions of integration is not always a guarantee of success, and fully rely on the union state is not necessary. Therefore *it is necessary to place emphasis on the internal potential of the country*.



To promote cooperation rather than confrontation

Walter Schwimmer, Co-chair of the World Public Forum “Dialogue of Civilizations”, Council of Europe Secretary General (1999–2004)

There are always two models: a model of confrontation, trying to defeat its opponent, and the second model — cooperation, interaction, trying to work together to find a consensus, a common ground for co-operation. I understand that humanity has a lot more things that unite us than divide. I think that the sanctions do not lead anywhere. Counter-sanctions sound like a response to sanctions. I think it is necessary to solve the problems that exist between the parties. There are answers to the problems that now exist in the Donbass. There are answers to the interaction of economic cooperation between Ukraine and Russia. Despite this, the Association Agreement that exists between Ukraine and the EU, it should not interfere. Including the EAEC can be a very serious player and have a space from the Atlantic to the Pacific.



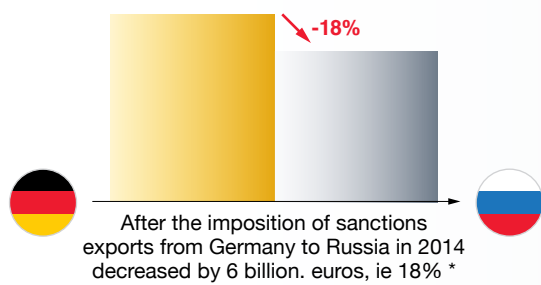


Protection of national interests

Russia does not have a clear strategy for building international policy. We are trying to resist the anti-Russian sanctions, but continue to follow the destructive economy recommendations of international organizations. We create the Customs Union, and then, without consultation with the partners in the Union accede to the WTO. We are interested in foreign investment, but do not want to make clear and comfortable for business economic policies. The priority of a successful international policy should be the protection of national interests.



The imposition of sanctions and anti-sanctions reflected in Russia's foreign trade, in particular, with Germany



In Germany, 60 000 jobs were lost due to sanctions *

* according to some experts

Exaggeration of the financial market capabilities in economic development

Daisuke Kotegawa,

Executive director of the International Monetary Fund (IMF) from Japan in 2007 and 2010

I was one of six people who have developed derivatives, when I was an officer in the IMF. These were the bubbles that occurred in 2000. I want to say — do not believe in financial engineering techniques. This will not give you or ordinary consumer anything valuable. Instead, please focus your attention on production. More products to all consumers in the world will help improve their lives.



Blind following the recommendations of international organizations, without assessment effects

Sergey Arbuzov, The chairman of the association “Center for Research of economic, social and cultural development of the CIS countries, Central and Eastern Europe”

IMF requirements are not all useful. When the IMF recommendations are performed, it is necessary to understand what the consequences would be. Today (in Ukraine) gas prices went up by 300% within the country. The heat increased in price by 90%. Is this price needed to get the loan amount? I would like to actually implement reforms necessary for the country, not only those that are necessary to obtain loans from external organizations.



Mutual trust lost

Ruslan Grinberg,

Co-chairman of the Moscow Economic Forum, Director of the Institute of Economics

The economy can grow only when there is mutual trust. Mutual trust is not present today. “Western triumphalism, instructive tone, desire to compare Russia’s achievements on its own standards, of course, led to the rejection. And I must say, this is going on. It is this position of older and younger brother — this is a mistake of the West”.



Exercise activity and sometimes moving against the tide

Wolfgang Clement, Honorary Doctor, former German Minister of Economics and Labour, the former Prime Minister of the Federal State of North Rhine-Westphalia

The conflict in Ukraine had quite suddenly subjected the long phase of intense partnership relations between Germany, the European Union and Russia to grave test. In these circumstances, the big question is whether the economy is based on the high level of relations between the two, can our countries contribute to overcoming the crisis, despite the sanctions entered by the West and Russian adopted countermeasures.

I know the value of the business force in relations between nations. For a long time in the relations between Russia and Germany, this force has established and managed to establish itself seriously. Looking at history, we should remember the so-called transaction in 1970 “gas-pipe”. Since the end of the fifties of last century, the outstanding representatives of the German industry sought to take part in this transaction and, in the end, forced politicians to implement it. Then the contract, signed in 1970 between Gazprom, Ruhrgas concern and a group of German banks has become a kind of icebreaker of the Cold War. This icebreaker breached then started to Willy Brandt policy of detente in Europe in which the German-Russian relations could develop in an atmosphere of peace and mutually beneficial partnership. The key word, slogan then was “goods through trade”. And this slogan has justified itself, and I think even today he is able to justify itself. I am firmly convinced that no one in Russia, and in Germany, as well as throughout the European Union is not interested in the revival of the Cold War.

The economic challenges faced by Russia and Germany, are enormous. And we have every reason to strive to fulfill them. I want to highlight here only the three most important spheres, from my point of view. It is the policy in the field of energy and climate. Also I would like to call the demographic changes that will affect the social conditions in our countries, they are particularly deep. The next item — a digital revolution that will change the industry and transport. It is in these areas the partnerships between German, European and Russian companies may develop. And this partnership should continue to be paid attention. I would like to emphasize that the activity of the companies which are the guiding force (business associations, chambers, municipalities and regional institutions), is a research and scientific force, knowing that any crisis includes a chance within. Knowing that it is at critical junctian as it is time to be proactive now, and sometimes move against the current.



To make the country attractive to Russian and foreign business

Konstantin Babkin, Co-chairman of the Moscow Economic Forum, the President of the Industrial Union “New Commonwealth”

The economic downturn are the consequences of the decisions of the Russian government, which had been adopted before the imposition of sanctions. This is too high taxes and high prices for the loans, too high prices of resources of Russian origin and other causes not related to the sanctions. If Russia will create the conditions for the creation, the German companies will invest in agricultural machinery, in the automotive industry, in agriculture — will be fully used and will participate in the realization of the potential of Russian production, the Russian economy.



To use positive international experience

Alexis Dantas, Professor of the State University of Rio de Janeiro, Brazil

Brazil — is an example of success. We have created a policy to increase jobs and reduce unemployment. At the same time we created a program about the minimum wages. As a result, the minimum wage increased by 7%, and the actual income of the population is even higher. We have adopted a policy of stimulating domestic consumption especially among poor people (they occupy a large percentage of the total population), through which we encourage the consumption of such products that do not create imbalances in trade and economy. We have seen that there are large international reserves, which we can use. We have imported a lot.

Investments were also made in the infrastructure, which we called program to increase growth in Brazil. Very large sums of money have been invested by the state in public-private organizations. We have begun to increase in the direction of growth and real interest rate began to fall. As a result, when the global economic crisis in 2009 had hit, Brazil has not stopped the growth of the crisis in the coming years.




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