Global Russia Business Meeting
10-11 April 2011, Limassol, Cyprus

a Horasis-leadership event

under the patronage of the President of the Republic of Cyprus

Report
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Government of the Republic of Cyprus / Cyprus Investment Promotion Agency

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Association of European Business
Cyprus Chamber of Commerce and Industry (CCCI)
Cyprus Employers and Industrialists Federation (OEB)
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The 2011 Global Russia Business Meeting took place in Limassol, Cyprus

The Le Meridien Spa & Resort — venue of the 2011 Global Russia Business Meeting

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Foreword

The current state of the world is rather gloomy: it is witnessing the negative impacts of Japan’s massive earthquake and nuclear threat; there is residual uncertainty everywhere following the global financial crisis of 2008; and the political turmoil in Libya and other parts of the Arab world have left additional imprints on the global economy. Doubts about the direction of monetary policy in some major developed countries are contributing to a gloomy outlook for the world economy. In today’s volatile environment, nobody knows for sure which way our economies and security structures will turn. Will this period bring relative stability or usher in an era of stagnation?

The second Horasis Global Russia Business Meeting which took place from 10-11 April 2011 in Limassol, Cyprus, was both opportune and relevant in the wake of this volatile global environment. A large number of CEOs from Russia came together with leaders from around the globe to discuss Russia’s and the world’s current economic and political state. The Global Russia Business Meeting provided a valuable and timely opportunity for leaders from government, business and academia to meet and exchange views and ideas on the way ahead for Russia and the world.

This report encapsulates the outcomes and observations that emerged from the meeting. We hope you find it to be an insightful and timely guide to how the Russian and global leaders present in Limassol addressed the implications of the current economic, political and social challenges. More than 350 participants from 30 countries attended the Global Russia Business Meeting, including the following co-chairs: Igor Agamirzyan, General Director, Russian Venture Company, Russia; Sheikh Saif bin Hashil Al-Maskery, Chairperson, Nawras, Oman; Bo Inge Andersson, Chief Executive Officer, Gaz Group, Russia; Akaki Beruchashvili, Executive Vice President, Gazprombank, Russia; Jeffrey Chen, Chief Executive Officer, Neopac Lighting Group, Chinese Taipei; Carla Cico, Chief Executive Officer, Rivoli, Italy; Edouard Cukierman, Chief Executive Officer, Catalyst Fund, Israel; Sachin Dev Duggal, President and Chief Executive Officer, nivio, Switzerland; Daniel Duku, Chief Executive Officer, Venture Capital Trust Fund, Ghana; Alan Hassenfeld, Chairman of the Executive Committee, Hasbro, USA; Natalya Kaspersky, Chairman, Kaspersky Lab, Cypriote President Demetris Christofias – Harnessing Russia’s Global Momentum
Russia; Rajive Kaul, Chairman, Nicco Group, India; Anil Kumar, Chief Executive Officer, Ransat Group, United Kingdom; Dmitry Loschinin, Chief Executive Officer, Luxoft, Russia; Munir Majid, Chairman, Malaysia Airlines, Malaysia; Jacques Jean Sarraf, Chairman, Malia Holding, Lebanon; Cvetka Selšek, President of the Board of Directors, SKB, Slovenia; Alexey V. Ulyukaev, First Deputy Chairman, Bank of Russia, Russia.

The Global Russia Business Meeting was organized around what we believe to be the major drivers of growth and forces that will shape the new order: they will impact both the financial economy and the real economy, in Russia and the world at large. Also, as a new economic stimulus programme was announced by President Dmitri Medvedev, participants explored the changing political, economic and commercial circumstances in Russia and what they imply for the country’s future prospects. The assembly of Russian and world leaders brought together under the auspices of the Global Russia Business Meeting sought to contribute to progress toward stability in both a conceptual and a practical way. As Igor Agamirzyan, General Director, Russian Venture Company, Russia, put it during opening plenary: ‘The 2011 Global Russia Business Meeting occurs during a time of pronounced volatility – and heightened uncertainty – in the global economic system. New strategies are necessary to address new opportunities and risks’. ‘It now remains to be seen if some of the main constraints on Russia’s economic growth can be removed,’ added Alan Hassenfeld, Chairman of the Executive Committee, Hasbro, USA.

The general sentiment was that Russia has been emerging strongly from the global economic crisis. Will Russia and its companies play a more pronounced role in this new emerging global order? And will this open up new opportunities for foreign players to shape and define economic development? These were only two of many questions that were raised during the different discussion at this year’s Global Russia Business Meeting.
Participants reached consensus that
• the Russian economy is expected to perform strongly in the years ahead. The growth prospects in Russia seem to be more compelling than those being observed in Western Europe and the US.
• diversifying the economy is key. The modernization of the Russian economy will reduce the country’s dependence on natural resource exports and lead to the emergence of knowledge-based industry clusters, as well as massive technological innovation in industry and aided by its infrastructure development.
• Russia’s influence as an international investor and reliable partner of the G20 is growing. Also, Russia is going to welcome more Foreign Direct Investment as well as trade. Russia and the world would benefit if Russia joined the WTO.

‘Russia will catch up quickly. Our choice is the continued integration of Russia in the world economy’
Igor E. Manylov, State-Secretary, Deputy Minister of Economic Development, Russia

At the Opening Dinner of the Global Russia Business Meeting, Igor E. Manylov, State-Secretary, Deputy Minister of Economic Development, Russia, painted a lucid, inspirational grand vision for the future of the Russia economy. He emphasized modernization – President Medvedev’s new economic policy – including the establishment of a nationwide incubator for technology and innovation (Skolkovo – a Russian equivalent of Silicon Valley), pronounced deregulation, reducing red tape and administrative pressures, a more conducive environment for small-and medium-sized enterprises, a more receptive foreign direct investment climate, and WTO accession. ‘Russia will catch up quickly,’ he said, ‘with a growth rate of some 6 to 7 percent. As before, we are interested in and will continue to work for membership in the World Trade Organization. Our choice is the continued integration of Russia in the world economy.’ He also said that ‘internationalization is vital for the transformation of the Russian economy into a modern and innovative economy.’

‘The prospects for Russian-Cypriot relations are very good’
Demetris Christofias, President, Republic of Cyprus

In his special address, Demetris Christofias, President, Cyprus, noted that Russia’s economic exchange with Cyprus has risen sharply in recent years. ‘The prospects for
Russian-Cypriot relations are very good. This Global Russia Business Meeting aims at improving the cultural and economic dialogue between the two nations and gives a further boost to the already existing cordial relations. The ties between Cyprus with Russia ‘have always stood apart,’ the President added. ‘We have a very special strategic partnership with Russia, which has stood the test of time over the last half a century.’ He also reported that Cyprus is a popular destination for Russian capital, and Russian tourists have become the island’s second-largest number of visitors behind those from former colonial power, Britain.

Panels at the Global Russia Business Meeting explored a wide range of topics, covering the future role of entrepreneurship and diversification, technology and the creation of a global financial center. Ilya Ponomarev, Chairman, Hi-Tech Subcommittee of the Russian Duma, Russia, said: ‘While Russia’s economic strength for the last decade has been built on the might of its energy sector, the government is currently attempting to steer the economy to high-value added services and manufacturing of high-tech products.’ Also, the financial crisis has helped us focus our businesses by removing products that had weak sales; we are streamlining operations and shifting to efficient growth,’

said Vladimir Chouikov, Chairman, Gotek Group, Russia. Carla Cico, Chief Executive Officer, Rivoli, Italy emphasized that the crisis fostered greater regional cooperation between Russia and the world – and perhaps economic integration.

‘While Russia’s economic strength for the last decade has been built on the might of its energy sector, the government is currently attempting to steer the economy to high-value added services and manufacturing of high-tech products’

Ilya Ponomarev, Chairman, Hi-Tech Subcommittee of the Russian Duma, Russia
The special plenary focused on Russia’s economic outlook. Clearly, the Russian economy has been recovering from the crisis. In 2010, more than one million jobs have been created in the country. According to **Bo Inge Andersson**, Chief Executive Officer, Gaz Group, Russia, industrial production will grow at more than 8%, while GDP growth is estimated at 4%. ‘In 2011, I forecast that the rouble will strengthen, while inflation will be below 8%,’ said **Andrey Mikhailov**, Director, Parliamentary Center, Russia. For all the macro-economic difficulties and despite the natural calamities that hit Russia in 2010, positive things prevailed, **Munir Majid**, Chairman, Malaysia Airlines, Malaysia commented. **Sheikh Saif bin Hashil Al-Maskery**, Chairperson, Nawras, Oman, argued that the most promising sector in Russia’s economy is its small and medium business.

Proponents of contrasting visions of Russia’s future debated over what kind of economy will emerge. Russia is certainly at a crossroads – the country faces the challenge of expanding its predominantly one-sector economy into other areas. ‘One important approach is to provide more incentives to encourage entrepreneurship’, commented **Filios Zachariades**, President, Cyprus Employers and Industrialists Federation, Cyprus. ‘Will the government’s vision of a confident Russia boasting a diversifying economy win out? Or will Russia weaken from over-reliance on commodities and a shrinking population?’ asked **Edouard Cukierman**, Chief Executive Officer, Catalyst Fund, Israel. Session participants split on predicting whether Russia will successfully diversify its economy. Participants also broadly disagreed on whether ‘Russia would suffer if oil prices drop, or would it use low oil prices as a catalyst for...”
economic reform’, as Leonid Koshelev, Chairman, Jet 2000, Russia predicted.

Antonis Paschalides, Minister of Commerce, Industry and Tourism, Cyprus, spoke at a special plenary on Russia and the World. ‘Russia has established itself as an important global economic player. What are the prospects for Russia’s global trade, technology and investments?’ he asked. The Minister aspired to advance the rapidly emerging cooperation between Russia and Cyprus – economic and also strategic – and to anchor it in formal agreements. Alexander Downer, Australia’s former Minister for Foreign Affairs and currently the United Nations Special Envoy to Cyprus supported Russia’s bid to join the World Trade Organization (WTO): ‘An important step in reaching trade potential is for Russia to join the WTO,’ he said. On Cyprus, Alexander Downer stressed that Cyprus is strategically very important. ‘There are all sorts of positive implications that should flow from an agreement between the Greek and the Turkish Cypriots,’ he opined. Igor E. Manylov, State-Secretary, Deputy Minister of Economic Development, Russia sent the message that global and regional trade talks need to be reenergized. On Russian-Cypriot relations, he stated that new double-taxation agreement will allow Russian companies to increase investment flows into Cyprus. On Russia’s economic masterplan, he shared his vision on building an open, competitive economy at an international level.

A special panel focused on how attractive Russian companies might be to international investors and the possibility of their shift to a global level. Christos Mavrellis, Former Minister of Finance of Cyprus; Vice-Chairman, CIPA, Cyprus, said ‘a top priority for 2011 is to improve the investment climate in Russia. Foreign investors do come to Russia but not as actively as one would wish. The rules for foreign companies investing in strategic industries of the Russian economy will be eased shortly.’ ‘Russia maintains an open and liberal foreign investment climate,’ added Suren O. Vardanian, Director General, Moscow Investment Promotion Agency, Russia. ‘A good example is the government’s approval of PepsiCo’s purchase of a controlling stake in Wimm-Bill-Dann, one of Russia’s leading producers of juice and dairy products. Still, obstacles for the free flow of foreign capital are persisting’, ‘We have to remove bureaucratic barriers for business,’ underlined Alexander Sivak,
Chairman, New Technologies Company, Russia. Among other things he mentioned was the upcoming visa regime simplification for foreigners: the introduction of so-called start-up visas. ‘We need highly qualified specialists to work and live in Russia. Innovations are impossible without proper legislation,’ said Sachin Dev Duggal, President and Chief Executive Officer, nivio, Switzerland. ‘The Russian government should be working in this direction. We are a European country and we need to have a common market with Europe’, concluded Igor Makarov, Partner, Baker & McKenzie, Russia.

The Russian government has made it a priority to turn Moscow into an international financial center that could compete with London, New York and Hong Kong. Garegin Tosunyan, President, Association of Russian Banks, Russia, told the Global Russia Business Meeting that the city needed to develop its laws to make them ‘convenient and comfortable for all stakeholders.’

Moscow will also need to lure specialists from other world financial centers and offer a broader range of investment products, Andrey A. Serebryakov, Founding Partner, Effective Capital Group, Russia, said. Efthimios Bouloutas, Deputy Chief Executive Officer, Marfin Popular Bank, Cyprus, said he supported the development of ‘a real financial center in Moscow, but that it must be transparent.’ On financial markets, Oltmann Siemens, Chairman, Interleaseinvest Group, Austria, observed a dearth of Russian companies going public. ‘Just 14 companies went public on the Russian market in 2010. ‘We have to improve the market for initial public offerings if we want to make Moscow a world-class financial center,’ said Hans Jochum Horn, Deputy Chief Executive Officer, Renaissance Group, Russia. Boris Zenkov, Chairman, Linkos Holding, Russia, said that the financial sector ‘is on the right track but there is a lot of work to be done. Meanwhile, there is room for everyone, but state banks will still dominate.’

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Panayiotis Hadjipandelis, Chief Financial Officer, Holy Archbishopric of Cyprus

Natalya Kaspersky, Chairman, Kaspersky Lab, Russia – what we really need is to position Russia as a global technology leader

Anil Kumar, Chief Executive Officer, Ransat Group, United Kingdom – Russian companies increasingly move into global markets

Alex Shapiro, Managing Partner, Ashfort Capital, United Kingdom
A major theme discussed at the meeting was the significance of technology to improve productivity and boost the Russian economy’s knowledge base. The Russian variant of the Silicon Valley, called Skolkovo, is a planned high technology business area which will incubate new technologies – a center point of Russian President Medvedev’s modernization strategy. ‘What we really need is to position Russia as a global technology leader. Innovation does not come without R&D. Russian companies have to invest more into real breakthroughs than just being me-too innovators,’ said Natalya Kaspersky, Chairman, Kaspersky Lab, Russia.

The Yo—a new hybrid car that is due to come on the market in 2012, is ‘a good example of how Russian entrepreneurs can chart out highly innovative products. The car is in line with President Medvedev’s call on business to innovate and help the country economy wean itself of a reliance on hydrocarbons for energy and transport,’ commented Phothis Savvides, Chief Executive Officer, Cyprus Telecommunications Authority, Cyprus. Sergei Millian, Russian American Chamber of Commerce, USA, concluded that ‘the Russian government clearly wants the corporate sector to create its own intellectual property.’

The panel on Russia’s Natural Resources emphasized the strength of Russia’s resources sector. Valentin Romanov, Executive Director; SUN Group; Russia, explained that ‘Russia’s vast resources give the country a real global clout. It has the world’s biggest resources of gas, and in terms of oil production—though not capacity—it is number two in the world, rivalling Saudi Arabia.’ The country is ‘coming out of the global economic crisis due to its strong export earnings from oil and gas,’ according to Valeriy Gulev, Director General, Gazprom E.P. International, Russia. ‘I do not agree with those skeptics who claim that Russia has turned into a raw-material donor. Russia has potential in many sectors,’ replied Khawar Qureshi QC, Head, McNair Chambers, Qatar.

Petros G. Doukas, Chairman, Capital Partners, Greece, added a geopolitical element to the discussion: ‘Energy is traditionally the key field of the Moscow-Brussels partnership. By 2020, Russia will account for half of all gas supplies to Europe. ‘In the near future,’ Artak Tovmasyan, Chairman, Sozvezdie, Ukraine predicted, ‘gas will be in demand all over Europe. That is why all gas transportation systems both current and developing will be crucial.’ Russia has abundant supplies of energy, but the logistics of getting them to European markets are fraught with complexities. The security of supply is a major concern for Europe, while Russia wants to be sure that demand from Europe is strong. ‘Europe is joined to Russia
in a relationship of interdependence. All sides have an interest in keeping transport routes open and establishing new reliable ones,’ concluded Gil Feiler, Chairman, Info-Prod, Israel.

‘The Russian government will reform the judiciary and better enforce private property rights’
Akaki Beruchashvili, Executive Vice President, Gazprombank, Russia

Anil Kumar, Chief Executive Officer, Ransat Group, United Kingdom, highlighted that Russian companies ‘would increasingly move into global markets.’ VimpelCom’s acquisition of Weather Investments – owner of Egypt’s Orascom Telecom and the Wind mobile brand – symbolizes Russian firms’ rise to global eminence, creating the world’s fifth-largest mobile operator group with a network footprint spread across all corners of the globe. Akaki Beruchashvili, Executive Vice President, Gazprombank, Russia, indicated that the Russian government will reform the judiciary and better enforce private property rights. ‘We are working very hard to protect investments in Russia,’ he said. He also highlighted that the global financial crisis did not make Russia turn towards protectionism and isolationism. On the other hand, ‘we hope that Russian firms won’t be limited by protectionist measures when moving ahead globally,’ added Socrates Lazaridis, Chairman, Athens Stock Exchange, Greece. ‘Russian firms are emerging as global corporations, reaching a level playing field with the established Multinationals of the West, with corporations from Asian as well as with the leading firms of the Arab world,’ Jacques Jean Sarraf, Chairman, Malia Holding, Lebanon, explained. The expansion of Russian companies into emerging markets like Africa and Asia is yet another facet of the globalized economy. As these companies get bigger, they need to start thinking about global positioning, and more and more, they are seeing foreign markets as more than just places to trade their products and services – they are establishing R&D facilities, manufacturing sites and hiring local talent.’

‘If Russia wants to become a global economic power, it should be able to produce planes and not only fighter jets.’

Gil Feiler, Chairman, Info-Prod, Israel, Natalia Kardash, Editor-in-chief, Vestnik Kipra, Russia, Artak Tovmasyan, Chairman, Sozvezdie, Ukraine
Here our country should not fear forming alliances with foreign companies,’ concluded Symeon Kassianides, Chairman, Hyperion Systems Engineering, Cyprus.

‘By creating more efficient management structures, Russia can unleash its human capital to realize its full economic potential,’ said Victor Sedov, President, The U.S. Russia Center for Entrepreneurship, Russia. Also, while in the past the country’s strong educational legacy has been a positive factor in its outlook, there is concern about a systematic degradation that could become a drag on economic progress and prosperity.

Roberts Idelsons, Member of the Board, M2M Private Bank, Russia, suggested that ‘educational institutions had withered considerably after the collapse of the Soviet Union, and that reform was critical to the country’s future.’

Jochen Wermuth, Chief Executive Officer, Wermuth Asset Management, Russia flagged up demographic decline as a serious issue facing Russia in the future and felt that Russia’s declining population is crucial to understanding the country.

‘The country’s low birth rates are alarming,’ he asserted, ‘and the country faces difficult demographic realities unless birth rates rise significantly.’

‘The BRICs (Russia, Brazil, China and India) now stand at simultaneous inflection points that suggest both complementary and competing interests,’ pinpointed Konstantin Guselnikov, President, Lotus Capital, Russia. Increasingly, the BRICs are building the showcase projects that once were mainly the pride of the U.S. and Europe. ‘Just as railways and highways transformed America into an industrial superpower, the 21st-century building boom is laying the foundations for these rapidly growing economies to join the top leagues,’ added Rajive Kaul, Chairman, Nicco Group, India. Russia’s relations with China in particular are critical, and much will be defined by the strategy that Russia develops for its long-term ties. The improving relations between Moscow and Beijing stand to spread into the infrastructure realm. The first oil pipeline linking the world’s biggest oil producer, Russia, and the world’s biggest consumer of energy, China, began operating in early 2011. According to Hellen Song, Managing Director, La China Capital, China, ‘this newly opened pipeline will allow a rapid increase in oil exports between China and Russia.’ And, ‘Russia welcomes direct investment from China in an effort to expand bilateral cooperation on trade and finance,’ said Guy Spier, Managing Partner, Aquamarine Capital, Switzerland.

‘Russian firms are emerging as global corporations, reaching a level playing field with the established Multinationals of the West, with corporations from Asia as well as with the leading firms of the Arab world’

Jacques Jean Sarraf, Chairman, Malia Holding, Lebanon

‘The Russian software industry is vibrant and world class’

Symeon Kassianides, Chairman, Hyperion Systems Engineering, Cyprus
China used the 2008 Summer Olympics as a catalyst for infrastructure development that would benefit the country in the long term. Now Russia is giving itself a makeover before it plays host to the 2014 Winter Olympic Games and the 2018 FIFA World Cup. The investments related to both events are just a part of the broader infrastructure effort under way as Russia strives to modernize itself. Along with the transportation, communication and power investments, Russia is also building schools, hospitals, housing and other social infrastructure. ‘As we have seen in China, Brazil and elsewhere, huge infrastructure investments typically pay off in terms of economic growth,’ reasoned Mark Minevich, President, Going Global Ventures, USA. The development of the construction sector, especially housing construction, has an enormous social impact because it triggers the development of other sectors. ‘The banking sector is ready to grant more loans for construction projects,’ said Daniel Duku, Chief Executive Officer, Venture Capital Trust Fund, Ghana.

Presently most prominent in the banking, energy, financial services and property sectors, ‘Russia is an extremely important nation for the economy of the island’, said Phidias Pilides, Chairman, Cyprus Investment Promotion Agency, Cyprus. ‘Cyprus is effectively the offshore financial services center for Russia,’ added Christos Stylianides, Deputy Chief Executive Officer, Marfin Popular Bank, Cyprus. ‘Russia is keen to ensure that Cyprus is not used as a tax evasion center – or, at least not for much longer,’ commented Dimitry Labin, Chairman of Cyprus Commission, Moscow Chamber of Commerce and Industry, Russia. A tax agreement was one of the key accords signed during President Medvedev’s visit to Cyprus in October 2010. ‘The old cultural and political connections between Moscow and Nicosia, the fiscal regime and the very low Cypriot tax rates attracted Russian investors to Cyprus. They set up offshore companies and immediately re-injected their money into Russia via Cyprus,’ said Alexey K. Pushkov, Director, Institute of Contemporary International Problems, Russia.

Participants of the Global Russia Business Meeting were candid about the priorities Russia must pursue. In the closing, participants reflected on the key take-away ideas from the meeting, calling for fundamental

‘Africa is the last frontier yet Russia has had a long relationship with many of its countries’
Daniel Duku, Chief Executive Officer, Venture Capital Trust Fund, Ghana
shifts in business models and government policies to address the dependency of the Russian economy on natural resources. ‘The key to economic growth is innovation – we have to turn Russia into a hotbed of innovation,’ proposed Leonid Khanik, Founder, Concept Club, Russia. ‘The 2011 Global Russia Business Meeting delivered analysis and insights needed to address risks and opportunities and achieve durable financial stability and more even, sustainable economic growth,’ declared Glenn Proellochs, Chief Executive Officer, B-International, Switzerland.

‘We need to address moral concerns and we need to build trust,’ emphasized the Archbishop. ‘We need to address moral concerns and we need to build trust. Money imposes a huge responsibility upon its owner,’ he continued. Fr Georgy Roshchin told participants that ‘the current global crisis might be a good opportunity for soul-searching and spiritual reflection.’ He voiced his wish that business leaders develop the right attitude towards society at large.

‘The global economic crisis has been a crisis of values and trust,’ emphasized the Archbishop. ‘We need to address moral concerns and we need to build trust. Money imposes a huge responsibility upon its owner,’ he continued. Fr Georgy Roshchin told participants that ‘the current global crisis might be a good opportunity for soul-searching and spiritual reflection.’ He voiced his wish that business leaders develop the right attitude towards society at large.

Phidias Pilides, Chairman, Cyprus Investment Promotion Agency, Cyprus

‘The Global Russia Business Meeting has certainly provided us with a solid platform to communicate, collaborate and exchange ideas on a variety of subjects ranging from globalization to financial trends and issues’

Jeffrey Chen, Chief Executive Officer, Neopac Lighting Group, Chinese Taipei, synthesizing the results of the meeting

His Beatitude Chrysostomos II., Archbishop of New Justiniana and all Cyprus and Fr Georgy Roshchin, Vice President, Moscow Patriarchate Department for Church Society Relations, Russia, addressed the farewell dinner on 11 April. ‘The global economic crisis has been a crisis of values and trust,’ emphasized the Archbishop.

His Beatitude Chrysostomos II., Archbishop of New Justiniana and all Cyprus

Sergei Millian, Russian American Chamber of Commerce, USA

Akaki Beruchashvili, Executive Vice President, Gazprombank, Russia – on the intrinsic business models leading to success

Fr Georgy Roshchin, Vice President, Moscow Patriarchate Department for Church Society Relations, Russia

His Beatitude Chrysostomos II., Archbishop of New Justiniana and all Cyprus – Rethinking Values, Building Trust

Mark Minevich, President, Going Global Ventures, USA

Jeffrey Chen, Chief Executive Officer, Neopac Lighting Group, Chinese Taipei, synthesizing the results of the meeting
The meeting closed on a note of optimism and called for a strong collaboration between private and public sector initiatives to address Russia’s economic challenges. As Deepak Premnarayen, Chairman, ICS Group, India stated, the strong engagement of leaders joining the Global Russia Business Meeting showed ‘the importance of Russia and entrepreneurial spirit of people who see opportunities.’ Still, at the country, regional and global levels, we now stand at a point at which existing practices are no longer enough,’ as Alexander I. Ageev, Director General, Association of Orthodox Business Leaders, Russia, put it. Jeffrey Chen, Chief Executive Officer, Neopac Lighting Group, Chinese Taipei, reminded us that ‘the world community should remember that an effective model can only be built collectively.’

The Global Russia Business Meeting as well as the other Horasis meetings offers opportunities for senior business leaders to channel their ideas and proposals to stimulate economic growth. For two years now this international event has attracted delegates from Russia and countries all over the world. The meeting has earned the praise of investors, businessmen and policymakers alike, who appreciate the opportunity to gather to debate topics and exchange ideas.

Horasis is using its unrivalled history of partnership with global corporations to create a powerful platform for cooperation between emerging and developed markets. From the first meeting in 2005, annual gatherings have been held around the globe. The flagship events are the Global Arab Business Meeting, the Global China Business Meeting, the Global India Business Meeting and the Global Russia Business Meeting. Horasis has engaged business leaders from all around the world to enact visions for a sustainable future.

On behalf of Horasis, I would like to personally thank Demetris Christofias, President, Republic of Cyprus, who generously agreed to act as patron of the 2011 Global Russia Business Meeting. My thanks go also to CIPA – the meeting co-host – as well as to the co-chairs, main-sponsors, co-organizers, knowledge partners, meeting supporters, and media partners. This Global Russia Business Meeting was a unique experience which would not have been possible without the dedication and enthusiasm of our partners, members and participants.

It is our hope that the meeting will continue to serve as an important conclave for stimulating thought and creative solutions. Horasis looks forward to welcoming you back to next year’s edition of the Global Russia Business Meeting.
Preparing for the next panel

Exchanging business cards

Exchanging business cards

Exchanging business cards
The Shy Russian Giant

By John B. Kidd, Lecturer, Aston Business School

The second Global Russia Business Meeting was held in Limassol in the glorious surroundings of sun, sea, and we could have a glimpse of Cyprus in the springtime. We were greeted formally by Phidias Pilides, Chairman, Cyprus Investment Promotion Agency (CIPA) who explained that Cyprus had a long relationship with the Russian people and with Russian businesses that was emphasised by Russian President Dmitry Medvedev’s visit to Cyprus in early October 2010 that signalled a new level of bilateral cooperation. He welcomed us to the island, and said he was looking forward with interest to the forthcoming discussions. Soon after this warm welcome Frank-Jürgen Richter, Chairman, Horasis, Switzerland, our conference convener called for us to observe the virtual ribbon cutting ceremony to declare the conference open: thereafter, having partaken of our reception refreshments and opened conversations with old and new acquaintances we moved on the initial dinner.

Our welcome to Cyprus and to this meeting in particular was further addressed over dinner by Demetris Christofias, President, Republic of Cyprus, who again noted his hopes for deeper and more fulfilling relationships with Russian businesses and indeed tourists who might come to enjoy the delights of this wonderful island. In agreement Igor E. Manylov, State-Secretary, Russian Deputy Minister of Economic Development also said that in Russia he and others would be working hard to cement these deeper relations since the trade turnover between the two countries amounted to $1.67 million and the accrued investments of the Cypriots in Russia reached nearly $52 billion, inclu-
**Sergey Filatov**, Editor-in-chief, Business World, Russia. He noted the usual ‘big’ statistics of the BRICs having over 25% of the world’s land coverage and 40% of the world’s population and holding a combined GDP (PPP) of 18.486 trillion dollars. Even so, many might see the BRICs as a networking group especially with their relations to the UN Security Council discussions, rather than a distinct global power. Fairly up to date statistics on all the BRIC nations may be found in Wikipedia which also notes the original Goldman Sachs report of 2003 that ‘created’ this grouping as an academic exercise and so began an interesting and continuing story. In 2007 Goldman Sachs researchers enlarged the original concept of the BRICs and suggested a further set of ‘developing BRICs’ – again see the Wiki entry for these references. **Rajive Kaul**, Chairman, Nicco Group, India reminded us that South Africa was a good candidate for entry to the BRICs group (ie we will now have to write BRICS, though for the purposes of this meeting we will stay with the older acronym); and that the resources of the BRICs were not homogeneous – with China (being manufacturers), India (service providers) and Russia, Brazil (raw materials providers), and though they did have a certain amount of inter-BRIC trade much of it was as deliveries to China; it has become globally central. We must take care in structuring our discussions of similarities and differences. **Hellen Song**, Managing Director, La China Capital, China suggested she focus on China as others had amply covered the BRICs in their introductions. China, with its large population has to maintain a delicate balance between consuming its own large primary resources and/or importing from elsewhere. It does import substantial raw resource, but also semi-finished goods that are assembled and re-exported. In so doing it has accrued a large deposit of cash that is now being invested abroad. However, most of its exports are of low-end goods, and so far does not contain much added intellectual value. This is to change according to the latest five-year plan as Ministers look to raising the wealth of its peoples by increasing the Intellectual Property of goods originating in China: some will be exported but much will be bought by the growing middle class that will have a larger disposable income. To aid this development China will more fully support its entrepreneurs, even to promote their initial foray overseas via Singapore or Hong Kong as first steps in outside trading. **Michael Sarris**, Former Minister of Finance, Republic of Cyprus noted how Cyprus fulfilled a role akin to Singapore but for Russian trade, especially in the banking sector. While he noted the increased trade from the BRICs he was happy that [low end] imports from China continued to help the Cypriots maintain a lower cost of living. Yet, as there is an imbalance within the BRICs and between them and some other nations, some smoothing must take place gradually (we don’t need more financial shocks). Thus China in particular must find some way of bettering its collaboration with others that may offer hints to, say, the Russians who today hesitate to venture overseas. **Konstantin Guselnikov**, President, Lotus Capital, Russia continued this theme asking how the BRICs will continue to lead? Russia is big on resource export (of oil and gas which is well known, but also in minerals) yet it wants and needs to find a new route to be innovative. For instance, as China is consuming more food products, then Russia might raise its food output – but for this change to occur the State needs to plan and publish new strategic aims. **Deepak Premnarayen**, Chairman, ICS Group, India reminded us of a further imbalance in the statistics – the demographics of India and China were different. Roughly the average age of the two nations is similar and India is pouring a lot of cash and effort into training, and giving ‘skills sets’ to its young people; China’s population is aging much faster than the Indian. Thus in the relatively near future it might be India that is the
intellectual and manufacturing powerhouse of the BRICs but the BRICs had a group responsibility to be effective in its resources balancing. Alexey Pushkov reminded us of Samuel Huntington’s *Clash of Civilisations*? and its contrast with Francis Fukuyama’s *The End of History* … that we were indeed in ‘the mess’ that these two authors described, and it was being played out as we were meeting. The discussion was opened to the audience and we noted that the present expositions of economists only continued the models of the past, whereas we need some new model to guide our future relationships.

The conference then moved to the opening plenary session on Russia and World Economic Outlook wherein discussants were to focus on “The global economic outlook for 2011 remains uncertain despite Russia’s continued economic success. What are the near- and long-term perspectives in this challenging environment?” The session was chaired by Frank-Jürgen Richter who called first on Ilya Ponomarev, Chairman, Hi-Tech Development Subcommittee of the Russian Duma. He raised the issue of ‘mixed signals’ that tend to confuse – he noted that sometimes inward investors did not wish to work in accord with the local rules; yet he agreed that if rules were set and changed often no one knew what was applicable in any circumstance and neither the insider or outsider could proceed with confidence especially if officials arbitrarily applied rules that had been amended. He commented that the high levels of corruption did not aid progress as it also confused the processes of joint ventures and/or the creation of new ventures in Russia, by Russians, who wished to be innovative. Alan Hassenfeld, Chairman of the Executive Committee, Hasbro, USA announced he would be somewhat controversial in addressing this topic. He said that once the globe was discussed via a ‘north-south divide’ [indeed there was a well received paper delineating ‘The Brandt Line’ as a visual depiction of the North-South divide that was proposed by the German Chancellor Willy Brandt who described the global resource imbalance in 1980]. Alan Hassenfeld suggested now there was the 1% - 99% rift between rich and poor, young and old, and there was a general despair. One of the primary causes could be solved if the US sorted out its own house before commenting and directing other nations on their behaviour; and it ought to do this well inside the next five years as it is an urgent task. Munir Majid, Chairman, Malaysia Airlines talked next and almost inevitably mentioned the rising cost of oil and of aircraft fuel in particular. Of course he is well qualified on this topic as both a chairman in the airline industry and as Director of the Southeast Asia International Affairs Programme at the London School of Economics. It is well accepted, he said, that a $10 rise in the price of oil causes a 0.25% fall in global GDP. This is an acute
issue in the airline industry as fuel is 35% of its running cost while the best of full-service airlines might have only an 8% profit margin. He was further concerned that while the globe still did not have a strong rebound in growth, most of the European economy was somewhat weak. It suffered from a lack of visionary politicians as the present ones seemed only to muddle through. **Bo Inge Andersson**, Chief Executive Officer, Gaz Group, Russia explained that although he represented a Russian automotive firm he was in fact an American of Swedish birth. He noted that the automotive industry supported 1/3 of global GDP, and while sales in Russia are presently lowered there is ample opportunity for more sales (and the transportation infrastructure is rapidly improving) so one may soon see multiple car ownership per household. The Russian strategy is to rebuild its automotive industry with both the ingress of overseas manufacturers (such as Volkswagen, Ford and General Motors) and its indigenous firms, of which Gaz is increasingly profitable. On the other hand, **Igor Agamirzyan**, General Director, Russian Venture Company, Russia reminded us that Russian production was similar in kind to those of the Chinese – too close to the lower end of added intellectual value, and its exports were mainly ‘simple’ products – oil, gas and minerals. Even so, Russia remained a strong global economic force which needed to diversify and to innovate. In part, he suggested, Russia, even with its great strength in technological prowess had a lack of good managers as most lacked competency. There was thus the double need to be both innovative and to be able to develop and exploit its innovations – for the latter, Russia seemed to have no government strategy to promote what might be called “Russia Inc.”

**Richter**, from the chair, then asked panellists to consider how Russia could better link Business and Government? **Ponomarev** said he wished there to be less evidence of government involvement, yet conceded that a top-down approach has to be taken to instigate a knowledge-based economy. There has to be guidance and incentives to initiate new business processes, but it might be thought that the government was too inclined to consider the Russian future to continue as a [simple] oil and gas exporter: that has to change as such a policy will not involve the people, nor will it increase general wealth. **Majid** agreed saying ‘politicians are the worst managers’. In democracies they are too interested in survival [through the next elections] which was a similar, through different, process in non-democratic states. Instead, it was business that kept nations progressing despite the ‘help’ of its politicians – who ought to be better trained to understand the broader picture. **Andersson** looked to the automotive industry to offer financial support to the governments so in turn the governments can
plough back cash into development projects, while not forgetting to maintain and develop a broad infrastructure. Agamirzyan returned to the issue of confused signals set by the Russian Ministries: sometimes it even seemed that a rule set one week was overthrown the next and a new rule developed that might even be contradictory to the first. This fluidity left officials bewildered and business people were at risk if different officials applied rules set in different weeks possibly causing firms to halt progress.

Marios Garoyian, President, House of Representatives, Cyprus summed up the plenary. He reiterated the success of the Cyprian-Russian ventures which will be reaching to the long term, especially in the financial sector.

After the networking coffee break we came to the four Boardroom Dialogue Sessions – Rethinking Russia’s Competitive Edge; Russia’s Natural Resources; Designing Russia’s Entrepreneurial Ecosystem and Managing Investments in Russia. I chose to listen into the first of these discussions chaired by Glenn Proelochs, Chief Executive Officer, B-International, Switzerland – he was to probe the question of ‘what are the new business models that will underpin the Russia’s competitiveness in the future?’ First to speak was Carla Cico, Chief Executive Officer, Rivoli, Italy who said that she had worked in many countries but not Russia though it was a little tempting to engage her firm there. However she felt there were too many bureaucratic barriers to overcome as well as issue of bureaucracy to confront and if possible, avoid. She further noted that there was only a small middle class at the moment that would constrain her business; and that may be of concern to many outside firms observing the large Russian population. And why she asked, did Russia concentrate its resources in high-technology research rather than in agriculture and infrastructure? Alexander Borisov, General Director, Moscow International Business Association, Russia confirmed the large bureaucracy in Russia as well as the low level of middle class (≈ 20%) that is too small to influence Russian social life. Even so, there are many foreign firms who have come to dominate some of the Russian commercial sectors and who have had more success in Russia than local firms and who have modified product their lines to suit local tastes. Local firms are too apathetic sometimes, so continue to lose market share and they consider the lack of middle class as symbolic. Sometimes too the fact of Russia having a physically huge geographical reach provided its own barriers. Later a comment from the audience noted that from medieval days European nations, in particular Italy, had supported the notion of individual townships and supported their development, whereas in Russia there seemed too much concentration on Moscow or St Petersburg. Borisov concurred with that comment but countered,
saying that many in Russia have known little peace for decades so it may not be unusual for the state to be overly protectionist, with undue oversight from the police or other law enforcement agencies. He would like the younger Russians to travel outside to acquire the knowledge of and the habits of the more free nations and to import these back to Russia so the old Soviet mentality may be superseded. Wolfgang Lehmacher, President Emiritus, GeoPost Intercontinental, France reminded us that he had set up a branch of the French Postal service in Russia relatively easily by playing straight and within the rules (he offered no bribes for any speed-up during the processes of consideration and implementation). He did accept that often the bureaucracy involved in getting a business visa or other official permissions is excessive, and tends to incur bribery. He thinks the time for Russian brand awareness will come soon as a few are respected internally in Russia. Further, he thinks any business models set in Russia recently will need to be securitized thoroughly and be built into a stronger theory which incorporates anti-bribery regulations. Mikhail Treyvish, Chief Executive Officer, OmniGrade, Russia said his business was one of monitoring customer behaviours with respect to large orders as some Russian business was indeed global and needed all the efficiency aids they could acquire. However, he also said that many firms were not in good shape and still working with the old Soviet mentality (of the ‘cold war’ and of being behind a protecting wall). In many cases the market economy drivers were weak and most firms had only a small experience in the market place so do not perceive the standard problems nor their solutions. Manthos Mavrommatis, President, Cyprus Chamber of Commerce and Industry noted what might have been challenging for the Russian firm was seen as an opportunity for the Cyprian firm which they grasped after the opening up of Russia in 1991. In retrospect he said it may have been better to focus less on Moscow and to have reviewed opportunities in other large towns where now the Russian government has hinted at desiring stronger heartlands growth. Therefore opportunities are ready for Cyprus especially as there is a realisation that Russia has more to offer than just oil and minerals – sectors such as hospitality and tourism beckon. Dmitriy Lisenkov, Managing Director, Russian Corporation of Nanotechnologies, Russia suggested the main risk for their firms is to become confused by the divide of poor/rich or young/old dimensions of their demography as well as receiving the confused messages during their forthcoming Presidential election process. Some Russian managers think operations outside are indeed easier than inside Russia with all its complexity, as the outside is more stable. In some ways it is seen that there is less freedom now ‘… than in the old Russian days…’ but wishing for the past blinds us to the ways of making the future better and
removing the great depression that sits on many Russians.

The final plenary session of the morning followed and was chaired by Phidias Pilides, Chairman, Cyprus Investment Promotion Agency - CIPA, Cyprus discussing ‘Russia and the World – what are the prospects for Russia’s global trade, technology and investments?’ The first discussant was Igor E. Manylov, State-Secretary, Deputy Minister of Economic Development, Russia who noted that Russia managed to avoid the deeper aspects of the financial crisis; none of their banks needed a rescue package for instance. However as with the rest of the global economy Russia suffered from a severe reduction of its inward FDI, and confusion in its local financial institutions as the rapidity of the falls hit them also; and later they suffered from a large fall in the sale of fuels as the global demand rapidly fell. Nevertheless Manylov said they have progressed strongly into landownership reforms as there was a legacy of messy regulations that needed to be cleared up to allow faster progress in future developments, such as agri-business including forestry which in general has a poor output record. He also introduced the Russian 2020 Energy Plan which in the long-term will rationalise state energy policy aiming for energy safety, energy effectiveness, budget effectiveness and ecological energy security. Of course, the attainment of these guiding lines and strengthening of control under the energy development call for forming and the realization of the main components of state energy policy. Also there was an understanding by government of the need to deregulate – as an aside; we might think this will open up further avenues for corruption so the government in other departments will have to remain diligent. Manylov concluded by noting that one of their prime aims is to create territories that encourage a rapid development cycle of R&D into realisable projects. To this end there would be incentives offered such as zero or low taxation, fast Visa processing for outside employees, and low customs fees. Presently several projects are underway, even one in the financial sector aligned to the experiences in Cyprus. Antonis Paschalides, Minister of Commerce, Industry and Tourism, Cyprus spoke next supporting the previous speaker by noting several new joint projects where the two countries, though of greatly differing character, were cooperating such as in tourism and hospitality management. He thought there was a good opportunity not just in overseas tourism by the Russian people but also for the development of regions in Russia with its outstanding natural beauty. Yet, as Cyprus is a member of the EU, it could support the ventures of Russia by opening its knowledge base to new ventures that would be compatible with the needs of the EU. Or by aiding the developments inside Russia in its science parks: for instance, Cypriots might help them be somewhat more...
open as with Silicon Valley in California and thus more attractive to outsiders in terms of the quality of both work and living environments. **Alexander Downer**, United Nations Special Envoy to Cyprus was the final speaker in this session and he noted that he would address a different issue – that of unification across the island. As Special Envoy he was intimately involved in the issue, from the local viewpoint up to the global views expressed at the UN Security Council wherein he applauded the support of Russia in this unification process. Russia is in fact a very strong advocate for unification – which, said Downer, would most likely be bi-zonal until such a time that a further as yet unknown solution would be sought. He reminded us of the enormous geographical reach of Russia: we forget, he said, that as well as being a European power (also though its strong relationship with Cyprus) it is a Pacific power also. It is strongly represented in many discussions involving the nations in the Pacific Rim. Their politicians must be quite busy.

We then broke for lunch reconvening afterwards at the plenary session chaired by **Frank-Jürgen Richter** when he asked us to consider ‘Envisioning the Post Crisis World Economy – What is Russia’s role in this post crisis economic order?’ The first speaker was **Rajive Kaul**, Chairman, Nicco Group, India who reminded us of some of the statistics about India, with the globe’s largest middle class and with a population that was very young overall (~40% are under 24 years old). His first contrast was with the demographics of China wherein he conceded that their economic growth was a continuing phenomenon; but that soon its aging population would hamper this growth while India would become stronger (we were told that earlier when Deepak Premnarayen had said that soon India would become the powerhouse of the BRICs). However, turning to its relationships with Russia, he said India had had a long relationship which is continuing in several sectors, for instance in high technology and even in the design and manufacture of the next 5th generation military fighter airplane. In other sectors he noted synergies, in pharmaceuticals where India could supply more to Russia; and in telecoms as well as IT; even in the gems and jewellery industries where India is the globe’s largest finisher of these items. But, and importantly, businesses need much more clarity and simplification of ‘the rules’ as well as a real stability in the relevant laws so they may be applied transparently. **Alexey K. Pushkov**, Director Institute of Contemporary International Problems, Russia then spoke of the lack of new models of the global economy – it was the old ones that continually resurfaced and this may be an issue as we consider the US recovery to be fragile, if not ‘empty’ as it still has a large problem with the financing of its housing market. Thus there is a continuing global uncertainty that does not allow
easy investment in Russia with its own acknowledged problems of bureaucracy. In addition there is a wider political instability as Iran may proceed to the building of a nuclear bomb and the US will inevitably react so creating a large uncertainty in the Gulf Region and its supply of gas and oil. We are indeed on the verge of a new world order as the BRICs are being enlarged with the addition of South Africa (we will then write BRICS) who will act at the highest global levels and question US hegemony. Jacques Jean Sarraf, Chairman, Malia Holding; Chairman, Lebanese Russian Business Council, Lebanon then took up the discussion with a closer view of the Mediterranean/North African accord (MENA). The Lebanese have always had a perhaps an odd attitude of “if it’s high risk, let’s go for it”. But now the present rapid change across the Arab world has modified this older attitude since so much is altering with so much instability that risk is not easy to compute. Even so, he like some others in this global business meeting considers that it is businesses that will aid the direction of change, more so than governments. However, he hopes that Russia continues to play a strong role in promoting stability in MENA, not just with respect to the oil and gas supplies but to wider commercial and political issues, and to include Cyprus as a pivotal player. Daniel Duku, Chief Executive Officer, Venture Capital Trust Fund, Ghana provided a slightly different view, that of the African states. He said that ‘Africa is the last frontier’ yet Russia has had a long relationship with many of its countries especially after Putin took up leadership though the Russian financial investment is much smaller than that of China. Hopefully in the future there might be stronger ties with the Russians. Suren O. Yardany, Director General, Moscow Investment and Russia Export Promotion Agency chose to emphasise that Russia is a Euro/Asian state so understood the attitudes of many cultures. However, looking inwards, it must more fully develop its hi-tech abilities in its new ‘Silicon Valleys’ and all outsiders must be made welcome to come to Moscow and these centres. Through joint development re-export can be a possibility so growing a global brand image that could be financially attractive for all sides. Charilaos Stavrakis, Minister of Finance, Cyprus rounded off this discussion noting the long stability of Cyprus and its economic growth which was quite attractive to Russia in particular. Even so, there were indications of some instability across the EU so careful choice had to be made when considering investing. He reflected that Russia in the 1980s lost its way and was down-graded by the international rating agencies (Standard & Poor’s for example), but now Russia has bounced back exhibiting growth and with a more outward looking investment climate from which Cyprus has benefitted as a gateway to Europe.
We moved then to the Boardroom Dialogue Sessions of which there were four: Made in Russia; Building Innovation Capacity; Driving Growth through Sustainability; and Scorecard on Logistics and Infrastructure. I chose to review the second group’s discussion chaired by René Seifert, President, Level 360, India. He made us aware there were many definitions of ‘innovation’, then called first on Igor Agamirzyan, General Director, Russian Venture Company, Russia. He said that there was now some pressure set in place by the Russian President to be innovative, and several centres ‘of innovation’ have been set up. But Russians were very poor in moving from the laboratory (where there was often good innovation across several sectors) to commercialisation (which Western firms seem to manage – some better than others, of course). Now in Russia there must be a renewed focus on Intellectual Protection, the lack of which causes inventors to be naturally secretive. The greatest issue perhaps is seen in our (Russian) lack of business planning abilities – for these skills we need to attract outsiders, and in turn make their entry as easy as possible. He understands well the outsiders’ claims of excessive ‘red tape’ and continually varying rules applied arbitrarily by officials which limits even the sales of western goods in Russia let alone the direct employment of business managers to aid the commercialisation of Russian products. He reiterated the fact that various ‘Russian Development Plans to 2020’ have stressed many legislative changes needed to make development easier. Sergei Millian, Russian American Chamber of Commerce, USA said he hoped that Russia would soon become a full member of many ‘Chambers’ and discussion groups at a global level as this would ease the coalescence of both sides’ differences, and allow faster global progress to be made on many issues. He noted that in the 1980s the US opened up ‘Techo Centres’ with large injections of public money (or Government grants, etc). For instance, the beginning of the Internet was a DARPA/university project; and Silicon Valley and other similar high technology centres were initiated by freely given grants. These centres became ‘hot beds’ of innovation as well as developing a high level of social conversation and interaction. Russia has to be able to respond in a similar way, and to do this has to take the step towards more freedom and transparency in these centres allowing ad hoc meetings to be convened without ‘government spies’ being omnipresent. Russia must also create a greater awareness of ‘Made in Russia’ so the producing managers become proud of their own brands, which thus creates a greater strength when moving to export. Bogdan Vacusta, Director, World Blogging Forum, Romania continued this theme of openness and transparency by discussing the nature of ‘blogs’ and ‘social media’ as a force for development and innovation. There was an element of innovation in developing these
new media, but the greater good may in fact come from their innovative use – in research interaction, in commercialisation, and in brand awareness campaigns. If given the chance, no doubt Russian society would rapidly take up Twitter, Facebook and the many ‘apps’ on mobile devices both for private use and for business use – it is the government that has to reconsider its attitude towards greater openness. Andrey Mikhailov, Director, Parliamentary Centre, Russia accepted that it was difficult to create much motivation (… for innovations) as there was too little support from government, although they do intervene positively in sectors they have deemed to be of strategic interest – like IT: so Russia now has a very technically skilled IT workforce. Magnanimously he noted that Russia was not the first state to have ministers favour old technology instead of a disruptive new one, so he is pleased that the EU is becoming stronger in settling Russian patent disputes, and thus Intellectual Property rights will be better protected. Symeon Kassianides, Chairman, Hyperion Systems Engineering, Cyprus agreed that the Russian software industry was vibrant and world class and in general its IT sector has been involved with the ‘standard’ Russian resources of oil and gas but more breadth is needed. There are the legal frameworks to consider for the protection of current projects and the need to move from a search for instant profits to longer-term horizons of 5 to 10 years – but vitally there is the need to alter the Russian education framework to allow a more creative society in the future years. This is itself a long-term project as innovative changes in teaching regimes take 20 – 25 years for their results to become apparent in those children just being born as of today. Alan Hassenfeld, Chairman of the Executive Committee, Hasbro, USA continued the discussion about ‘ideas’ and suggested we ought to support a climate of ideation (the process of creating new ideas) which depends on many social factors, not just an injection of cash to support innovators, though that is a positive first step. It is important to allow both incremental innovation as well as disruptive innovation … and to create an open questioning or judgment of whether the idea is better that the existing state, and whether it will be viable in the future, and whether the new product has widespread appeal. Furthermore, as some will say later in this meeting, it is not a disgrace to fail. The best of innovators fail as this is the nature of the process. Suren O.Vardanyan, Director General Moscow Investment and Export Promotion Agency, Russia stressed that even intergovernmental agreements can be useful – such as those between the US and Israel for the joint development of many products as they give the researchers a good backing for their financing and future commercialisation. In Russia it is still the case that inventors loose all rights to their product if they move abroad, but there is little
guarantee that remaining in Russia will lead to implementation of their ideas, so many become despondent. It is quite evident that the Russian government must re-regulate to support its scientific community if it wishes to develop on a broad front in the future.

Sachin Dev Duggal, President and Chief Executive Officer, nivio, Switzerland gave an impassioned speech about the mechanisms used to support innovators. In his opinion one must take the attitude that inventions have a ‘long tail’ in so far as they may not have instant success. Most need several ground-works to be put in place, so financial pay-back is in the longer term. There must be an acceptance of academic research as blue sky stuff for the sake of academic freedom; not all research has to be aimed at the short term. Often a special education is needed, one that commends exploration without criticism, one that accepts cultural differences, but always with support and mentoring. Business managers must not only promote the successful, but also those who ‘did not quite make it’ but thus exhibit potential – the promotion is a way by which management can offer support (but if there are too many failures the management must question the guy…). On that exciting note we left for a coffee break and later to attend further group discussions.

The afternoon Boardroom Dialogs offered four choices: New Frontiers for Overseas Investments; Managing Globalisation; Moscow as a World Financial Centre; and Russian Technology Pioneers. I chose to attend the last group which was chaired by Parag Amin, President and Partner, Radial, USA. He urged panellists to tell us how they competed in world markets. The first speaker was Jost Doerken, Vice President, SAS, USA who described his product modestly as data management, though he expanded on this to have us note that now there were terabytes of data that firms needed to have analysed very quickly to note trends, or for managerial discussions with their “… what if?” questioning of different scenarios. He does a considerable volume of business in Russia (not surprising, as SAS is one of a small handful of analytic firms with high capacity potential). He was concerned that if Russian firms wished to be globally competitive then they needed to be really innovative, not just imitative. He also accepted that Russian (IT and software students) were brilliant but they had no business awareness, and had limited abilities to ‘explore out-of-the-box’ — an ability needed in global brand competition.

Natalya Kaspersky, Chairman, Kaspersky Lab, Russia followed and confirmed these facts, accepting that for her well-known brand of software that was running in 95 countries at first her firm had no ability in marketing and so had limited sales range. It was only after employing outsider staff to plan business expansion and to undertake global marketing schemes that the firm expanded and became a famous brand.

Thomas A. Kazakos, Director General, Cyprus Shipping Chamber and William Moon, Chief Executive Officer, Thuan Thao, Korea

Thanos Michaelides, Chief Executive Officer, Thanos Hotels, Cyprus
Brand. However, the description of origin was often hidden in the earlier marketing days as “Russian” was often synonymous with “enemy”. She does not greatly leverage her products as customers do not wish for over-complexity; and even now, with her well-known [Russian] products the marketing is hard work. More generally she feels that other Russians, even with good products, may be too diffident, too shy even, to venture outside Russia. On the other hand Mark Minevich, President, Going Global Ventures, USA was not restrained in offering suggestions to better ones business development. It is necessary he said to have a good fit between product offering and perceived need by the client, and the seller must be always focused on the customer’s needs, to listen and to deliver. Yet, as Doerken had mentioned, one must also be careful to educate since a potential purchaser, almost by definition, will have little knowledge of the powers of one’s latest software offering. There was some interactive discussion between the panellists and the audience which amply filled the time remaining. One item of note was from the Chair – Parag Amin told us he maintained a very brief but tight software portfolio, and these had been chosen because they had few competitors and also there were quite high barriers to entry. Even so, product maintenance was of paramount importance.

The closing plenary discussion on Leading Change in a Globalised World was chaired by Frank-Jürgen Richter – he asked panellists to consider the key building blocks and the intrinsic business models that, in their opinion, lead to success. First to speak was Akaki Beruchashvili, Executive Vice President, Gazprombank, Russia who suggested firms ought to be more open and acquire assets outside their home country. He conceded this may be difficult for Russian firms as there were still too many barriers to transparency and to openness, such as opaque rules and the long Visa application processes. Yet, on the whole, he was optimistic for the future. Anil Kumar, Chief Executive Officer, Ransat Group, United Kingdom said one must understand the local culture, in fact understand how both the seller culture and the buyer culture would interact. He noted in one of his ventures his 1000 domestic staff were happy to continue working mostly in their local ways and not be forced to totally alter to meet the ways and demands of the new operator from outside. This is quite a subtle point as we will note in the summary below. Kumar also said he was firmly against bribes in any country, especially as a way of business as these had become part of the rent-seeking by many local officials. Carla Cico, Chief Executive Officer, Rivoli, Italy, said she did not yet work in Russia though had experience in the other BRICs countries. She said she was not a philosopher, but that...
understanding the other’s culture was far deeper than simply learning to speak the language, though a language facility was a help. Another aspect for success is the presence of a strong middle class as it is they who can exert influence on their government, and they too can induce and alteration of the incoming product to better suit local needs. Next, Natalya Kaspersky, Chairman, Kaspersky Lab, Russia reiterated that Russians did not know how to commercialise their ideas and had not learned that they needed to hire outsider staff. Of course to do that the social situation of the outsiders needs to be better constructed and the bureaucracy needs to be minimised. While she understood ‘glocalisation’ she felt it did not often apply to many Russian firms as there was still too much fear of the Russians as “… the enemy” from the days of the Cold War and the Soviet era. Sadly, too many Russian officials reflected attitudes of the Soviet time so hampered growth and innovation. Jeffrey Chen, Chief Executive Officer, Neopac Lighting Group, Taiwan, noted that Russia had borders with 16 countries so had to manage many different cultural and behavioural differences. Perhaps, similar to its relationship with Cyprus, Russia might consider Taiwan as a “… gateway to the Pacific”. In his opinion, Taiwan would be a good hub. Sachin Dev Duggal, President and Chief Executive Officer, nivio, Switzerland again gave an impassioned speech saying he was encouraged by the progress of the BRICs (BRICS) but saddened that not as much innovation had taken place as he expected. Too many firms simply sell in a ‘price arbitrage’ mode without looking for really innovative products that would sell globally. What is needed in many places, not just Russia, is better teaching for young people so they will more naturally become explorers of novelty rather than just followers of rules. Russia is too inward looking, perhaps from the protectionism of “… the Wall” and that during the years since its fall, and the break-up of the Soviet Union they have not allowed innovation to grow; or until now, be encouraged by the government. Without more openness, a revision of its regulations and a greater freedom across many aspects there will be fear expressed on the part of inward investors and that will not generate greater wealth for the mass of Russian people. Edouard Cukierman, Chief Executive Officer, Catalyst Fund, Israel noted that their market has always been small so producers always look outside. Yet some of their more recent developments in engineering and IT have been considerably aided by Russian immigrants: it was a success built on cultural integration. Inevitably Russia has a different mode of attracting venture capital than Israel, but also it is less vigorous in that task. It must become more transparent.
We completed our day of discussions over dinner when we were first addressed by His Beatitude Chrysostomos II, Archbishop of New Justiniana and all Cyprus who expressed his joy and appreciation of this gathering of Russians, Cypriots and many others who had brought to the discussion table many good ideas. He blessed the meeting. Fr Georgy Roshchin, Vice President, Moscow Patriarchate Department for Church Society Relations, said how pleased he was to hear such optimism mentioned by many speakers. He expected all of us might influence our respective businesses and governments for the better. He too blessed us for the future.

Throughout the meeting many delegates made adverse comments about the levels of bureaucracy that seemed to be endemic in Russia. The issues were raised by Russian delegates and outsiders alike, but both groups were hopeful that in future the level of bureaucracy would be reduced. Corruption is a global and long-standing problem, and its eradication is not aided by loudly accusing ‘the others’. For instance, the accusations against US firms like Xerox, Enron, Worldcom shows us that some judiciary are willing to stand up and help to clean-up bad acts. Now they may have to act again following the WikiLeaks denunciations by Julian Assanage and his followers accusing a wide range of enterprises of dubious acts and operations. Even the election of government officials in the US is perceived as somewhat corrupt by the average American. Russia however seems about to change for the better.

Russia wishes to become more transparent. On 16th February 2011 Prime Minister Putin said Russia’s development strategy through 2020 should be finalized in an open, transparent way, Russian Prime Minister Vladimir Putin said on Wednesday. “The main priorities will remain higher living standards, innovation and market institutions. The work of the expert groups should be open and democratic, with all reasonable approaches and alternatives taken into account. Nothing must be rejected out of hand without a constructive and professional discussion. All proposals will be submitted to a public discussion, which will further increase public trust. Further, it is also critical to take into account all the mistakes that have been made and will have been made by late 2011, when the strategy should be ready.”

These aims are suggestive of changes that may be taking place in the general management of Russia and indicative of its re-awakening. It will take some time to alter the ways of Russian business. This is not only a matter of lessening diktat, and reorganising rules and regulations, but also one of changing the behaviour of its managers. This will be a
slow process, and it will not fundamentally alter individual attitudes as they are very slow to change. After all, this is the basis of distinguishing cultures one from the other. On the other hand, organisational and regulatory change can alter individuals’ perception of their position in society and raise their hopes.

Kets de Vries et al (2004)6 said -

The historical roots of Russia are in a thousand-year-old absolute monarchy … which did not provide the best environment for the free expression of the self. Russians are reserved; they don’t show much of themselves, at least not to strangers.

… The first organisation we become aware of is the family: if the family tells you ‘be careful, don’t open up too much to the outside’, this will have implications later when you are working in an organisation. The assumption is: because you don’t know the person, he or she might turn out to be dangerous. Building trust takes quite a long time.

The author notes the Russian is rather like the fabled Russian bear which can exhibit bouts of frantic activity as well as long periods of somnolence. The Russian people often hope their leaders will give the orders that they may quickly fulfil before returning to a form of somnolence. But don’t be fooled – they are awake, and watchful.

The modifications of the regulations impacting on the Russian peoples and the raising of their hopes are only part of the process of modernization. Another vital aspect is in increasing the awareness of each side of the other in work relationships, which is not only an internal matter for Russians, but also one of outsiders with their relationships with Russians. I wish to emphasise that it is only through an intimate cultural awareness that a fulfilling business can develop. Otherwise we will see a continuation of the ‘arms length contractual relationship’ in which the majority of the Russian employees simply ‘keep their heads below the parapet’ rather than developing a trusting relationship. In part this is what His Beatitude Chrysostomos II., Archbishop of New Justiniana and all Cyprus referred to when he addressed us during the final dinner: ‘We need to address moral concerns and we need to build trust. Money imposes a huge responsibility upon its owner.’

I think we see signs that the bear is awakening. Some delegates in Cyprus suggested the Russian is timid, and is shy; being unconfident in themselves and their product. But I feel, from the general tenor of the meeting, that the future looks bright for Russia – the shy giant is wakening.

1 (http://en.wikipedia.org/wiki/BRIC)
3 See Russian support for Assange at [http://www.guardian.co.uk/media/2010/dec/09/julian-assange-nobel-peace-prize](http://www.guardian.co.uk/media/2010/dec/09/julian-assange-nobel-peace-prize)
5 MOSCOW, February 16 (RIA Novosti) (see -[http://en.rian.ru/russia/20110216/162634978.html](http://en.rian.ru/russia/20110216/162634978.html))
Cyprus: The EU Gateway for Russian Firms

By Phidias Pilides,
Chairman, Board of Directors, CIPA

I am particularly pleased that Cyprus was chosen as the host of the second Global Russia Business Meeting. Cyprus and the Russian Federation maintain close and friendly relations, continuing regular and constructive discussions on a variety of political, economic and business issues. Both countries have always relied on the support of each other in the international arena and I believe that this will deepen and expand even further through actions that would increase certainty among the business community. The Global Russia Business Meeting has certainly provided us with a solid platform to communicate, collaborate and exchange ideas on a variety of subjects ranging from globalization to financial trends and issues.

It should be pointed out that despite the economic crisis, Cyprus remains one of Russia’s important economic partners and that Russian companies have a strong hold in the Cyprus market, strengthening even more our investment activity.

The Cypriot-Russian co-operation is particularly successful in the field of economic and business relations. Cyprus and Russia experience a close knit business relationship as evidenced by the fact that Foreign Direct Investments (FDI) into Cyprus from Russia have exponentially increased in the past couple of years. Specifically, in 2007 Russian FDI flows into Cyprus amounted to 279 Million Euros; in 2008 they amounted to 736 Million Euros and in 2009, to 1.5 Billion Euros. That is an astounding 439% growth in only three years, from 2007 to 2009, despite the global financial crisis.

In the case of Russia, Cyprus FDI flows into Russia amounted to 1358 Million Euros in 2008 and 317 million Euros in 2009. These flows focus on Financial Intermediation Services; Real Estate and Business Activities; Trade and Repairs; and Transport and Communications. We expect that both FDI and economic growth will continue to grow in the future in line with the current trends experienced both in the international, Russian and Cypriot economies.

I would like to emphasize that the recent signing of the Protocol between the Republic of Cyprus and Russia Federation will further contribute to the strengthening of the existing solid bilateral investment relationship; while at the same time it will act as a catalyst of new investment opportunities between the two countries.

This signature was the highlight of a series of negotiations that had as their principal aim to improve the business relations and the flow of trade between Cyprus and Russia by amending the existing tax treaty to take into account developments in the tax legislations of both countries and combating tax evasion by ensuring that the treaty provisions are benefiting genuine business relations.
Both countries support each other and actively attempt to find opportunities for partnership. The implementation of the Protocol will not only enhance the business environment, but also will benefit other areas of growth. An event such as the Global Russia Business Meeting enhances the relationship and provides a strong platform for further collaboration.

Cyprus provides Russian investors with a wide range of rewarding opportunities in various sectors, particularly in the areas of Banking and Financial Services, Investment Funds, Shipping, Energy as well as the development of large-scale and infrastructure projects. It is expected that these sectors will continue to grow in the short-to-medium term in line with current trends.

Cyprus established itself as an international business, financial and services center that can cater for the specific needs of each investor and provide customized quality services that enhance the ease of doing business.

Over the years, Cyprus has succeeded in consolidating its position as one of the European Union’s most advantageous international and financial centers. Its unique geographical position serves as a natural bridge linking Europe, Africa and Asia and has assumed an even greater importance following the country’s accession to the European Union in 2004 and the European Monetary Union in 2008.

Moreover, the fact that Cyprus has traditionally established strong political, economic, trade investment and cultural ties with Europe and many countries in its region and beyond, sets the island as a location for entrepreneurs wishing to establish their business or use it as a hub to access the European Market. We are working hard to achieve sustainable macroeconomic growth, price stability and to create the conditions for the maintenance of a strong and vibrant economy.

International investors can also benefit from a plethora of other competitive advantages, such as an attractive corporate tax of 10%, the lowest in the EU, and a network of Double Taxation Treaties with more than 45 countries; a friendly business environment; an advanced transport and telecommunications infrastructure; highly-educated and skilled multilingual workforce as well as high standard of professional service providers.

Foreign inward investment is recognized as a major contributor to our country’s sustainable economic development and social prosperity. Our investment policy is very liberal and offers significant benefits and many niche opportunities to investors across all sectors. Cyprus is actively supporting the development of high value-added, technology-based sectors that augment the island’s innovative capacity, international competitiveness and status as a knowledge economy. The island strives to boost investment in areas such as international banking and financial services, shipping and ancillary services, and business services as well as in large development and infrastructure projects.

Azamat Abdoullaev, Managing Director, EIS Intelligent Systems, Russia
Cyprus is well aware of the importance of co-operation in the political, economic and business field with Russia in order to cope successfully with the challenges as well as the changes happening rapidly in the world. In this effort, we look to Russia as a well-trusted partner and collaborator. This meeting has allowed us to work with key representatives of the Russian public and private sectors for the exchange of information, ideas as well as the identification of other areas of growth.

I would like to conclude by pointing out that the benefits and opportunities the Republic of Cyprus presents to the global business and investment community are tangible, substantial and safeguard overseas confidence in our economy as a financial and business center. Lastly, as the international business roadmap evolves, it is certain that Cyprus and Russia will continue to experience fruitful business collaboration both in existing and future opportunities.
Session on Modernizing Russia — How can capital and ideas transform the Russian economy?

Francis Hoogewerf, President, Hoogewerf & Co, Luxembourg, Leonid Koshelev, Chairman, Jet 2000, Russia, Andreas E. Mach, CEO, ALPHAZIRKEL, Germany

Sheikh Saif bin Hashil Al-Maskery, Chairperson, Nawras, Oman, on sustainable growth

During the welcome reception

Victor Sedov, President, The U.S. Russia Center for Entrepreneurship, Russia, moderating the panel on entrepreneurship

Francis Hoogewerf, President, Hoogewerf & Co, Luxembourg, Leonid Koshelev, Chairman, Jet 2000, Russia, Andreas E. Mach, CEO, ALPHAZIRKEL, Germany
Limassol Summit Focuses on Cyprus-Russia Financial Prospects

By Financial Mirror, April 13, 2011

‘Global Russia Business Meeting’, one of the biggest meetings of business leaders and senior government officials from Russia and worldwide, took place in Limassol with 300 leading personalities from 30 countries taking part. The conference was hosted at the initiative of the Cyprus Investment Promotion Agency (CIPA), in an effort to promote the island as an attractive business and investment destination.

Frank-Jürgen Richter, President of Horasis Global Visions Community, the organiser of the conference, said that ‘it is very important to meet and discuss the future of our economies and ways to restore confidence, as well as how Russia can contribute to overcoming the global financial crisis’. He said that ‘many of the entrepreneurs participating in the conference are ready to invest and rebuild our economies’ and added that most Russian companies investing in Cyprus are using the island as a medium, channelling their investment abroad. Asked about the financial crisis, Richter said that ‘the crisis is over’, even though some countries in Europe, like Greece, Spain and Portugal, continue to have problems. He said finally that there are signs of recovery in these economies.

CIPA President Phidias Pilides said that the focus of the conference was on the prospects and challenges of Russia’s economy, adding that this is an issue of concern for Cyprus, with Russia being its main business partner.

He added that the conference was attended by high level representatives from large organisations, as well as a delegation of the Russian government and Gazprom.

Former Finance Minister Michalis Sarris said in his statements that the focus was on emerging economies and their contribution to the recovery of global economy. He noted that the services sector in Cyprus may also be of use for countries such as China and Brazil, whose economy is expanding throughout the world.

Manthos Mavrommatis, President of the Cyprus Chamber of Commerce and Industry (KEVE) stated on his part that strengthening financial relations between Cyprus and Russia may take many forms. He further noted that ‘it is clear that the Russian Federation is not only Moscow and St. Petersburg’ and added that Cypriot businesses should also focus on large cities of Russia’s vast hinterland. ‘The Russian government’, he said, ‘wants to develop the interior of the country and improve its infrastructure’. He added that the Cypriot business community is following these prospects, looking for ways to benefit from emerging growth prospects. Mavrommatis concluded that financial relations with Russia are not limited to the financial sector, as was the case until today, but added that the development of Russia’s economy creates more opportunities in sectors like tourism.
During the networking lunch

Continuing discussions during a coffee break

At a breakfast session
Abandoning the effort to achieve a solution to the Cyprus problem on the basis of a bi-zonal, bi-communal federation would mean abandoning any hope of reunifying the island, UN Secretary-General’s Special Adviser on Cyprus Alexander Downer has stressed. In his address at the Global Russia Business Meeting held Monday in Limassol, Downer referred to the efforts undertaken in the context of the direct talks between the leaders of the two communities in Cyprus aiming at achieving a solution on the basis of a bi-communal, bi-zonal federation which will reunify the island, divided since the 1974 Turkish invasion and occupation.

Downer said that a solution to the Cyprus problem is difficult to be achieved due to the history of the island, the distrust and suspicion existing between the two communities. He also said that convergences have been achieved on some issues discussed during the direct negotiations while some other issues are more difficult to reach an agreement, bringing as an example the issue of property.

The top UN envoy on Cyprus expressed certainty that the Cyprus problem can be resolved on the basis of a bi-zonal, bi-communal federation, adding that countries such as Russia and its colleagues at the United Nations Security Council have always been interested in solving the problem and reunifying the island. Moreover he expressed the opinion that there is no other formula to solve the Cyprus problem than that of bi-zonal, bi-communal federation.

He said that not everybody in Cyprus likes it, adding that some dislike it. ‘Abandoning the effort to achieve a solution based on a bi-zonal, bi-communal federation would mean abandoning any hope for reunification of the island,’ Downer warned. In conclusion, Downer referred to the important role Russia in the world economy and to the cooperation between Cyprus and Russia in various sectors of the economy.
Musicians welcoming participants

Continuing discussions over the farewell dinner

Registering participants

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