Global Russia Business Meeting
14-15 April 2013, Limassol, Cyprus
a Horasis-leadership event

Co-hosts:
Republic of Cyprus
Cyprus Investment Promotion Agency - CIPA

Report
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Global Russia Business Meeting

14-15 April 2013, Limassol, Cyprus

a Horasis-leadership event
under the patronage of the President of the Republic of Cyprus

Co-hosts:
Republic of Cyprus
Cyprus Investment Promotion Agency

Co-organizers:
Association of Orthodox Business Leaders
Association of European Business
Association of the Russian-speaking Residents of Cyprus
Cyprus Chamber of Commerce and Industry (CCCI)
Cyprus Russian Business Association
Delovaya Rossiya
International Young Entrepreneurs Club
Moscow Chamber of Commerce & Industry
Moscow Investment and Export Promotion Agency (MIEPA)
Pacific Basin Economic Council
Russian-American Chamber of Commerce
Russian Business Council for Cooperation with Cyprus
Young Presidents’ Organization (YPO)

Co-chairs:
Christodoulos Angastiniotis Chairman, Cyprus Investment Promotion Agency, Cyprus
Paul Judge President, Chartered Institute of Marketing, United Kingdom
Natalya Kaspersky Chief Executive Officer, InfoWatch, Russia
Anil Kumar Chief Executive Officer, Ransat Group, United Kingdom
Mikhail V. Kuzovlev Chairman, Bank of Moscow, Russia
Peter Loukianoff Chairman, Third Rome Black River Ventures, USA
Sheikh Saif bin Hashil Al-Maskery Chairman, Al Mahfadh Investments, Oman
Vachara Phanchet Chairman, Sittipol Holdings, Thailand
Ilya Ponomarev Chairman, Innovation & Venture Capital Subcommittee of the State Duma, Russia
Alena Popova Co-founder, Startup Women, Russia
Fedor D. Pospelov Chairman, TRUST National Bank, Russia
Salavat Rezbaev Chairman, New Age Capital Partners, Russia
Suren O. Vardanyan Director General, Moscow Investment and Export Promotion Agency, Russia

Strategic Partners: Knowledge Partners: Media Partners:
Baker & McKenzie Cyta Cyprus Quarterly Review
Eurobank Cyprus PwC Gold Magazine
TMF Group Vestnik Kipra
Hotel Four Seasons Limassol – venue of the 2013 Global Russia Business Meeting
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*The 2013 Global Russia Business Meeting is ready to start*
Foreword

The fourth Horasis Global Russia Business Meeting which took place from 14-15 April 2013 in Limassol, Cyprus, was both opportune and relevant to provide a holistic and timely perspective on the future direction for Russia. 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.

The Global Russia Business Meeting presented an excellent opportunity for business leaders to discuss Russia’s important role as a driving force of the world economy. Russia’s political, social and economic structures are certainly in the midst of change. Participants examined the Russian economy in terms of growth strategies, innovation, technology, natural resources, entrepreneurship, social responsibility and the environment.

This report shall reflect the diversity of discussions that took place at the meeting. When summing up the Global Russia Business Meeting, this report’s purpose is manifold. First and foremost, its aim is to document the events and debates and to provide a comprehensive overview of the conversations by the business leaders present at the meeting. Then, it is the general mood in Russia and the world that his report shall unveil, embedding the Global Russia Business Meeting in the context of today’s most relevant debates.

Earlier meetings were held in Slovenia (2010), Cyprus (2011) and Luxembourg (2012): now, in 2013 Horasis devoted this fourth edition of the Global Russia Business Meeting in Cyprus to discussing which economic model might increase each country’s competitiveness. Participants reflected on Russia’s energy-reliant and Cyprus finance dominated economies. Participants recommended that both Russia and Cyprus have to diversify their economies, to make them more resilient vis-à-vis external shocks.
The Global Russia Business Meeting took place against the backdrop of Cyprus’ strained economy. In June 2012, Cyprus became the fifth country in the Eurozone to request an international bailout after lenders got caught up in the debt restructuring of Greece’s banks. Cyprus is facing the burden of repaying government bonds which expire in June 2013. The newly elected government headed by President Nicos Anastasiades has been in talks with the European Union and the International Monetary Fund on a rescue package, which is comparable in size to the €16 billion Euro Gross Domestic Product of the island. Cyprus finally secured a €10 billion package of bailout loans from a troika of lenders – European Union, European Central Bank and the International Monetary Fund (IMF) – on 25 March. The deal also forced it to close its second-largest bank Laiki Bank, inflicting significant losses – possibly up to 40 percent – on all deposits larger than €100,000. The rescue measures are expected to hit hard Russians who are believed to have more than €30 billion in corporate and private deposits on Cypriot accounts. Brokering a deal with Russia on its participation in the financial rescue has been a top priority of the Cypriot government.

The steadily increasing number of participants shows the extent to which the Global Russia Business Meeting has become the meeting of choice for Russian business leaders to become acquainted with their global counterparts. More than 300 participants from 30 countries attended the Global Russia Business Meeting, including the following co-chairs: Christodoulos Angastiniotis, Chairman, Cyprus Investment Promotion Agency, Cyprus; Paul Judge, President, Chartered Institute of Marketing, United Kingdom; Natalya Kaspersky, Chief Executive Officer, InfoWatch, Russia; Anil Kumar, Chief
Executive Officer, Ransat Group, United Kingdom; Mikhail V. Kuzovlev, Chairman, Bank of Moscow, Russia; Peter Loukianoff, Chairman, Third Rome Black River Ventures, USA; Sheikh Saif bin Hashil Al-Maskery, Chairman, Al Mahfadha Investments, Oman; Vachara Phanchet, Chairman, Sittipol Holdings, Thailand; Ilya Ponomarev, Chairman, Innovation & Venture Capital Subcommittee of the State Duma, Russia; Alena Popova, Co-founder, Startup Women, Russia; Fedor D. Pospelov, Chairman, TRUST National Bank, Russia; Salavat Rezbaev, Chairman, New Age Capital Partners, Russia; Suren O. Vardanyan, Director General, Moscow Investment and Export Promotion Agency, Russia.

Participants reached consensus that

• despite the woes of the world economy, Russia’s economy is strong and stable. However, the country is not immune to outside economic shocks. The biggest problem is the growing crisis in Europe in general and Cyprus in particular.

• policy makers will need to take further steps to reduce the country’s dependence on revenue from oil and gas. The diversifying of the Russian economy shall lead to the emergence of knowledge-based industry clusters.

• Russia needs to better the investment climate. With the WTO-entry, Russia is going to welcome more Foreign Direct Investment as well as trade.

During the opening reception, Andreas Christou, Mayor of Limassol, welcomed participants: ‘Limassol epitomizes the close partnership between two nations that can be traced back to Byzantine times and has been underpinned by deep financial ties over the last two decades.’ He continued ‘We will put our economy back on track for growth. Our partnership with Russia will play an important role in that endeavor.’
Nicos Anastasiades, President of the Republic of Cyprus, addressed participants during the opening dinner. ‘Cyprus is delighted to host this fourth Global Russia Business Meeting,’ he said. ‘Economic and commercial relations between Russia and Cyprus have been growing steadily. The government of Cyprus offers Russia the continued use of Cyprus as a preferred hub in the European Union.’ He emphasized ‘even though the current state of our economy might look gloomy, the medium- and long-term prospects remain good. Cyprus will prove it can bounce back.’

In a message to participants, His Beatitude Chrysostomos II., Archbishop of New Justiniana and all Cyprus, Cyprus, noted that the problems in Cyprus and Europe are not economic but spiritual ones. He added that ‘the Church will stand by the people especially those suffering the most.’ On Russia, he said that Cyprus ‘is committed to continue our spiritual, cultural and economic relationships.’ He expressed his sympathy for the Russians who lost their money due to the haircut on bank deposits.

Andreas Christou, Mayor of Limassol, Cyprus
Mikhail V. Kuzovlev, Chairman, Bank of Moscow, Russia, spoke to the assembly with optimism about the sweeping changes happening in Russia. He particularly stressed the increasing investment potential of Russia – ‘our entry into the WTO will stimulate greater and more diversified trade between us and the rest of the world.’ Kuzovlev also highlighted Russia’s quest in building promising sectors such as financial services and high-tech sectors. And he urged the global business community to grasp the opportunities of a more prosperous, stable and outward looking Russia. Kuzovlev – who is also chairing the Moscow Chamber of Commerce & Industry and the Business Council for Co-operation with Cyprus – concluded that Russia will consider potential actions that might contribute to restore stability in Cyprus.

On the opening plenary, Natalya Kaspersky, Chief Executive Officer, InfoWatch, Russia, remarked that ‘Russia’s economy will continue to grow but slightly less than predicted as the deteriorating global outlook weighs on demand.’ ‘Russia is a strong source of growth,’ she continued. Apart from sustained GDP growth, Russia has exhibited most traditional measurements of good economic stewardship. Public debt – 100 percent of GDP in 1999 – has decreased to less than 10 percent at present. Inflation has been brought under control. Russia boasts persistent current
account surpluses, the world’s third largest foreign exchange reserves and positive real interest rates. Likewise, Russia has a strong and growing middle class – 50 percent of young Russians graduate from university, compared with 35 percent of young EU-citizens.

‘Exports of raw materials such as energy and metals still account for more than a quarter of Russia’s GDP,’ underlined Fedor D. Pospelov, Chairman, TRUST National Bank, Russia, ‘we need to diversify our economy.’ ‘Russia needs to position itself as a center of innovation, not as natural resources economy, in which case the label ‘Made in Russia’ will guarantee a steady inflow of investments. We will adjust our economic growth model and get focused on internal sources of development, primarily investment,’ said Alexander Yukhno, Counsel to the President of the Bank of Moscow, Executive Director of the Business Council for Co-operation with Cyprus.

Paul Judge, President, Chartered Institute of Marketing, United Kingdom, on the opening plenary

‘A fall in oil prices could only benefit Russia in the long run by supporting reforms and reducing a source of corruption’

Paul Judge, President, Chartered Institute of Marketing, United Kingdom
(OECD) are also pushing reforms that can only be good for the country’s future. On Cyprus, Christodoulos Angastiniotis, Chairman, Cyprus Investment Promotion Agency, Cyprus, commented that ‘the terms of the rescue package for Cyprus will have a relatively marginal impact on Russian banks with a presence in Cyprus.’

Russia’s economy slowed in the first quarter of 2013 as exports declined, Dmitry Dakhnovsky, Managing Director, TEKAMA, Russia, commented. ‘Declining prices for commodities such as crude oil, aluminum and copper, and output contraction in key manufacturing industries, have been among the main causes of this slowdown, reasoned Alexander Zhukov, Co-Founder and Executive Director, Whiteshield Group, United Kingdom. According to Stephen Vasconcellos-Sharpe, Publisher, Country Strategic, United Kingdom, ‘Russia’s economy is losing momentum, with both consumption and investment growth falling well short of expectations.’ ‘The main challenge is the slow growth in retail sales as this has been the driver of the economy,’ specified Salavat Rezbaev, Chairman, New Age Capital Partners, Russia. ‘The Bank of Russia might want to support growth by easing borrowing costs,’ concluded Jochum Haakma, Director, TMF Group, The Netherlands.

Marita Pikalo, Chief Executive Officer, Satellis, Russia, outlined that despite positive dynamics in exports many Russian exporters still lack comprehensive marketing strategies and understanding of foreign markets. ‘Developing such strategies will open new opportunities for Russian companies overseas and positively influence the exports,’ she said.

‘Cyprus is still a natural fit with Russia’s global aspirations’

George Lakkotrypis, Minister of Commerce, Industry and Tourism, Cyprus
George Lakkotrypis, Minister of Commerce, Industry and Tourism, of Cyprus, pointed out how Cyprus wants to continue to engage with Russia in general and with certain sectors such as financial services in particular. He also mentioned ongoing projects in the area of shipping and energy. The island – despite the current financial crisis and the unfortunate impact on Russian depositors – wants to retain its function as base for Russian firms to explore global markets. Cyprus is still a natural fit with Russia’s global aspirations. ‘My vision is a broad-based, strategic partnership between Russia and Cyprus,’ he said.

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. Participants had a rare opportunity to explore Russia’s development from a variety of points of view. An intensive schedule of plenaries and boardroom dialogue sessions was devoted to a variety of relevant themes, including Russia’s accession to the WTO, the country’s geopolitical agenda, and strategies for sustainable economic growth. Also on the agenda were sessions on selected industry sectors, including financial services and natural resources, as well as more conceptual themes like the role of entrepreneurship, diversification of the economy, and strategies to boost Russia’s technology sector.

A major theme discussed at the meeting was the significance of innovation to improve productivity and boost the Russian economy’s knowledge base. According to Nick Puntikov, President, FirstLine Software Group, Russia, ‘nothing will determine Russia’s future more than its successful mastery of efficient innovation and global collaboration.’ Participants
reflected on Skolkovo, a planned high technology business park which will incubate new technologies – ‘a Russian variant of the Silicon Valley and a central point of the government’s modernization strategy,’ as Kate Korolkevich, Partner, Galatea Capital, USA, explained. ‘Skolkovo is a true success story,’ said Lena Feygin, Managing Director, Global Advertising Strategies, USA. ‘Skolkovo has won backing from more than 20 global high-tech giants such as Microsoft and Cisco, many multinationals have signed up to participate in research and venture firms are lining up to capitalize on the quality of Russia’s best minds,’ Igor Avdonin, Founder, Buzport, Russia, continued. One goal of Skolkovo is to attract international intellectual capital and encourage Russian talent not to leave the country in search of better prospects abroad. ‘I remain doubtful about the future of Skolkovo and I am concerned about the future of innovation in Russia,’ juxtaposed Nikolaos Mavridis, Director, Interactive Robots and Media Lab, UAE University, UAE. ‘Most countries express the wish to be like Silicon Valley, but the problem is that countries tend to copy blindly a model, putting huge investments into infrastructure. That’s a mistake because Silicon Valley is not a physical place one can copy, it’s a culture,’ added Renata Akhunova, Chief Executive Officer, Global Innovation Access, USA. ‘We need to study global best practices leveraging resources at international level – and look beyond our indigenous structures and processes,’ said Yuri Istomin, Senior Partner, UCF Invest, Russia.
Michel Verlaine, Associate Professor of Finance, ICN Business School, Luxembourg. ‘In my opinion, legal ambiguity that is typical for Russia and other BRIC-economies can have a negative influence on business in these regions. For all its promise, Russia remains an exceedingly tough place for foreign investors,’ said Joachim Reidiess, Chairman, Dr. Wirth Group, Germany. ‘The country has a large and complex structure of government and its national, regional and municipal authorities may take contradicting decisions and propose a variety of requirements. Laws and regulations in the field of investment are subject to change due to various conditions in the market,’ explained Hubertus Mühlhäuser, Senior Vice President, AGCO Corporation, USA. ‘Russia experiences high levels of corruption – a roadblock for FDI,’ Steve Varsano, Chairman, The Jet Business, USA, stressed. ‘Moreover, during the 2008-2009 crisis and in recent months, there has been alarming capital flights from the country, explained Ekaterina Almasque, Co-founder, SVAROS Ventures, United Kingdom. ‘Russia traditionally has quite a negative image for investors that needs to be changed,’ agreed Thanos Mitrelias, Chief Executive Officer, Cavendish NanoTherapeutics, United Kingdom. ‘I consent that the risk of investing in Russia does exist, but it has a positive side too. Our country is very attractive to foreign investment as it has many industries still developing, like the food industry or agriculture, and a company can gain a lot by investing in these,’ said Suren O. Vardanyan, Director General, Moscow Investment and Export Promotion Agency.

‘The stakes are high. Russia has lots to offer. The country will also remain attractive simply because of the sheer size of its domestic market’
Vachara Phanchet, Chairman, Sittipol Holdings, Thailand

Thanos Mitrelias, Chief Executive Officer, Cavendish NanoTherapeutics, United Kingdom

Suren O. Vardanyan, Director General, Moscow Investment and Export Promotion Agency
Russia. ‘We will continue to improve regulations concerning FDI and facilitate investments by offering a stable and transparent legal and policy environment,’ Andrey Kazakov, General Partner, Foresight Ventures, Russia, continued. ‘Several prominent Western companies are thriving in Russia. The country might be seen as difficult place to do business, but – in reality – it is a great place to make money,’ Igor Saveliev, Chairman, Le Pain Quotidien Russia, Russia, stated. ‘For all the negative stories that the Western press likes to harp on, there is so much good news about investment in Russia,’ said Patrick Fullick, Founder & Director, Induct, United Kingdom. Participants concluded that if an investor is ready for risks, it shall invest in the Russian economy. ‘The stakes are high. Russia has lots to offer. The country will also remain attractive simply because of the sheer size of its domestic market,’ reasoned Vachara Phanchet, Chairman, Sittipol Holdings, Thailand, one of the meeting co-chairs.

Less than a year into its long-awaited membership of the World Trade Organization (WTO), Russia is beginning to see positive results. The country completed the adoption of trade-related reforms by the end of 2012. Many observers were skeptical that Russia’s international trade might initially see a downturn as the country negotiated trade tariffs as a result of membership. ‘Some less competitive players might feel the WTO accession as profound challenge,’ reported Ilya Ponomarev, Chairman, Innovation & Venture Capital Subcommittee of the State Duma, Russia.
Venture Capital Subcommittee of the State Duma, Russia. ‘The overall sentiment is good and I feel that most Russian companies assess the current situation more positively than before,’ Leonid Koshelev, President, Jet-2000, Russia, added. ‘Many foreign companies are waiting for investment rules to be relaxed, as Russia has pledged to do. The common sense is that a more liberal economic policy is needed to revitalize Russia and to attract foreign direct investment,’ noted Anil Kumar, Chief Executive Officer, Ransat Group, United Kingdom. ‘Also, with the WTO accession,’ said Sheikh Saif bin Hashil Al-Maskery, Chairman, Al Mahfadha Investments, Oman, ‘Russian companies will receive additional opportunities to enter global markets.

Throughout the meeting, participants stressed the strength of Russia’s resources sector. Oil and gas still make up nearly half of the country’s total gross domestic product. According to Dmitry Vasilkov, Co-
summation while also pushing ahead with the exploitation of shale gas and oil,’ said Mikhail Gurfinkel, Chief Development Officer Americas, Basic Element, USA. ‘Russia needs to ease foreign access to oil exploration to counterbalance this trend,’ Bogdan Vacusta, Managing Director, Elco Construct, Turkmenistan, continued.

Sizable offshore gas deposits have been found in Cyprus. The country sits on gas reserves that could last for two centuries at its current level of consumption. Much hope is being pinned on the expropriation of natural gas reserves in the Cypriote gas fields. Potential revenues from the gas would not be due before 2018 to 2019, yet the government has already raised substantial funds from the sale of hydrocarbon exploration licenses. ‘Energy resources are difficult to manage, in Cyprus, Russia and elsewhere. How might Russian expertise aid the exploitation of the new-found Cypriot gas resource?’ asked Natalia Kardash, Editor-in-chief, Vestnik Kipra, Cyprus. ‘What are the plans for the development of its resources?’ she continued. ‘From a Russian point of view, the gas discoveries have catapulted Cyprus from a mere financial hub to structure Russian investments into a potential regional energy power. The energy dimension will bring Cyprus and Russia even closer together,’ said Timothy Beardson, Chairman, Albert Place Holdings, Hong Kong SAR. ‘I believe that Russia will cooperate with Cyprus, even though the discoveries could be interpreted to threaten the dominance of Russian gas players. The Russian government has a holistic picture of the energy map of the eastern Mediterranean,’ concluded Valentin Romanov, Executive Director, SUN Group, Russia.

Proponents of contrasting visions of Russia’s future debated over what kind of
economy will emerge. Sales of hydrocarbons and raw materials account for nearly 50 percent of revenues in Russia’s budget structure. One of the meeting co-chairs, Peter Loukianoff, Chairman, Third Rome Black River Ventures, USA, believed that ‘Russia needs to diversify its economy to get rid of that dependence, so that only one-fourth of revenues come from hydrocarbon sales.’ And, according to Peter Droussiotis, Founder and Chairman, PGD Strategy, United Kingdom, ‘the country needs to privatize and open up the economy to secure production for inward investment from abroad.’ The rule of law has to be strengthened. The reforms announced by the government earlier in 2013 are a huge challenge but we need to carry them through to improve the economic climate,’ added Alex Polynov, Co-founder, Founderfellows, Russia. ‘Russia must achieve a highly-competitive economy in all directions. We need to promote the idea of diversification,’ asserted Stacy Kenworthy, Chief Executive Officer, OptiGlobal, USA.

‘Russian firms have achieved only the first transformational step necessary to embrace global integration. They need to re-orient from a traditional domestic strategy to a wider global approach,’ said Alexander Mitev, Managing Partner, Terreus Capital, Switzerland. Participants agreed that most Russian firms still lack experience in leading international teams. ‘It will take a few more years for them to catch up. It’s now prime time to leverage global value chains,’ maintained Sergio Millian, President, Russian-American Chamber of Commerce in the USA, USA. Roza Gazizova, Managing Director, Silk Road Finance, Myanmar, explained that ‘as Russian firms get bigger, they need to start thinking about global positioning.’ ‘Some of them 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,’ conveyed Alexey Chernikov, Partner, Sloane Square Capital Partners, Russia. Alexander Vaisblat, Chief Executive Officer, TVzor, Russia, recommended ‘the creation of corporate cultures that would recognize and realistically evaluate globalization and its consequences.’

‘Can Moscow become a major international financial hub on the lines of New York, Hong Kong, London or London?’ asked Phidias Pilides, President, Cyprus Chamber of Commerce and Industry, Cyprus. ‘The Russian government has made it a priority to turn Moscow into an international financial center. The authorities are currently establishing the educational framework to train the specialists that a global financial center requires,’ reported Rustem Bogdanov, Co-Owner, BI&R Consulting, Russia. ‘An effective regulatory system and a developed domestic financial market are the key conditions for creating an international financial center in Moscow,’ said Oltmann Siemens, Member of the International Advisory Board, International Finance Forum, China. And: ‘Moscow as financial center has to improve the market for initial public offerings. The successful IPO of the Moscow Exchange in February was a good test of the introduced reforms,’ said Nontas Metaxas, Director General, Cyprus Stock Exchange, Cyprus.

Amongst the participants was a group of young Russian entrepreneurs who reflected on the characteristics of Russia’s next generation of entrepreneurs, as well as the challenges and opportunities of this generation. Panel chair Michael Gurevich, Co-founder, International Young Entrepreneurs’ Club, USA, asked how Russia’s youthful vigor can be channeled into the country’s growth strategies. How will the government nurture young innovators? ‘The future
belongs to us upcoming entrepreneurs,’ said Alexander Kharitonov, Member of the Board, Trustcom, Russia. ‘We want to work in a highly stimulating, creative and rewarding environment,’ said Dayana Karmeeva, Managing Partner, Golden Brown Real Estate, Russia. According to Guzel Garayeva, Chairman and Managing Partner, GR Capital, Russia, ‘Russia needs to harness the creative power of its young and inspiring entrepreneurs.’ ‘We young Russian business leaders need to dream big,’ Taissiya Kudashkina, Chief Executive Officer and Co-founder, tulp.ru, Russia, concluded.

By creating more inclusive educational systems, Russia can unleash its human capital to realize its full economic potential,’ said Mark Minevich, President, Going Global Ventures, USA. 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 decline that could become a roadblock for economic progress and prosperity. Alexander Drougov, Chief Executive Officer, Damask, Russia, suggested, that ‘educational institutions had suffered considerably after the collapse of the Soviet Union, and that reform was critical to the Russia’s future.’ Indeed, ‘Russia needs more entrepreneurs and well-versed managers,’ commented Tahir Akhtar, Chairman, Adam Holdings, UAE.

Panelists examined the importance of leadership, management, and business education. They also flagged-up demographic decline as a serious issue facing Russia in the future. ‘Similar to Japan, Russia’s demographic future is alarming,’
Yusuke Otsubo, Managing Partner, UMJ Russia Fund, Japan asserted. ‘Russia faces difficult demographic realities unless birth rates rise significantly,’ Chiara Corazza, Managing Director, Greater Paris Investment Agency, France, added. ‘Emancipation might have spread all over the world but traditional roles of women are still eminent within Russian society. We need to encourage more female entrepreneurship,’ Alena Popova, Co-founder, Startup Women, Russia, concluded.

In recent years, economic ties have been strengthening between Russia and Cyprus which is a direct result of ongoing joint efforts to nourish the development of economic and financial relations. From an economic perspective, Russia and Cyprus are tightly intertwined. Cyprus is a good place to do business from – people are friendly and for Russians it is very convenient because many Cypriotes speak some Russian,’ said Sergey Demin, Chairman, Synergy Technologies, Russia. ‘The Russian community here feels itself a part of Cyprus,’ added Andrey Smirnov, Director, Interros International Investments, Cyprus. Russian banks held € 30 billion or more of their deposits abroad in Cyprus at end-2012. ‘Over the last five years Cypriot entities accounted for € 60 billion, or 23 percent, of foreign direct investment into Russia, while 30 percent of Russian investment abroad was in Cyprus,’ according to Evgenios Evgeniou, Chairman, Cyprus
Russian Business Association, Cyprus. That means Cyprus – which accounted for 30 percent of the FDI stock in Russia at the end of 2012 – astonishingly invests five times the size of its economy in Russia. According to Michael Afanasiev, President, Rocos, Russia, ‘the links are of virtual character as the ultimate owner of most of Russian FDI tends to be Russian since many Russian owners structure firms as a Cypriot parent owning a Russian unit.’

Ties between Russia and Cyprus recently came under some scrutiny by European policymakers who questioned whether Cyprus was a hub for Russian money laundering while pressing Moscow to extend its €2.5 billion loan to help the island avoid bankruptcy. ‘We deny allegations of money laundering,’ said Constantinos Petrides, Under Secretary to the President of Cyprus. ‘Cyprus got top marks in assessments by independent review bodies, such as Moneyval, an arm of the Council of Europe. Cyprus remains an attractive investment destination. Our economy will benefit from constructive measures that will lead to a more flexible, efficient and ultimately more competitive environment,’ he added. ‘We don’t like that losses have been imposed on banks as a condition for EU aid,’ stressed Demetra Kalogirou, Chairman, Cyprus Securities and Exchange Commission, Cyprus. Most of the cash that transits Cyprus is not black money. Russian investors like the island thanks to its 10 per cent flat tax rate, while the Cypriot legal system, based on English law, is often more appealing to Russian groups than the local alternative. According to Charis Papacharalambous, Director General, Cyprus Investment Promotion Agency, Cyprus, ‘there are plenty of legitimate businesses that use Cyprus as part of holding structures because it is convenient and cheaper than other European
jurisdictions.’ In any case, the Cypriot government has offered the European Union an alternative way to audit its financial system for possible money laundering,’ Theo Parperis, President, Institute of Certified Public Accountants of Cyprus, Cyprus, added.

Both Cypriot and Russian participants underlined that there is nothing dubious about the Russian deposits in Cyprus and the special vehicles in use to repatriate investments. ‘The use of such vehicles is driven by the 1998 Russia-Cyprus tax treaty that lets Russians pay a low 5-percent rate on dividends, the use of English law, a reputation for light touch regulation while acknowledging Russian political risk,’ explained Christos Mavrellis, Former Minister of Finance of Cyprus. By moving assets to the island, some Russian investors hoped to shield their savings from the risk of future confiscation,’ Eli Braha, Managing Partner, Berkley Acquisitions, USA, said.

The Russian government has recently complained that a reliance on offshore financial centers is robbing Russia of tax revenues and capital. A net € 60 billion of capital left Russia in 2012. President Putin himself demanded in 2012 that Russia’s economy ‘de-offshore’. Yet this instruction appears not to apply to Cyprus. Russia removed the island from a ‘blacklist’ of countries to avoid investing in. Cyprus is still the number-one destination for Russian money being sent abroad and the number-one direct investor in Russia.

Alexey Jarkov, Chief Executive Officer, CPI, Russia, commented that Cyprus’s appeal is very clear: sunny weather, a short four-hour flight from Moscow, ease in getting a visa, tax efficiency, permanent residency if one buys property for over € 300,000, and an established community that includes Russian schools and Russian media – all put Cyprus ahead of other
centers, he says. ‘I believe Cyprus will continue to serve as preferred destination of Russian investors,’ concluded Igor Pivovarov, Chief Executive Officer, HemaCore, Russia.

Horasis – together with our strategic partner Baker & McKenzie – announced the 2013 Russian Business Leaders of the Year celebrated three outstanding entrepreneurs who have been building and leading successful Russian firms… we recognize and honour those business leaders as they excel in entrepreneurship, innovation and leadership. ‘The chosen leaders have decisively impacted the economic development and global integration of Russia,’ said Igor Makarov, Partner, Baker & McKenzie, Russia, who announced the award winners during a special plenary. The award winners are: Vladimir Chouikov, Chairman, Gotek Group, Russia; Natalya Kaspersky, Chief Executive Officer, InfoWatch, Russia; and Suren O. Vardanyan, Director General, Moscow Investment and Export Promotion Agency, Russia.

The Global Russia Business Meeting closed on a note of optimism about the future of the Russian economy. A key message from the meeting was that to deliver sustainable development, any economic activity must be — according to Alexander I. Ageev, Director General, Association of Orthodox Business Leaders, Russia – ‘embedded in the social, environmental, political, and financial systems with which it is intertwined.’ ‘The most important growth driver for Russia and the other BRIC-economies are socially responsible development strategies,’ said Iurii Pidnebesnyi, Director, International Fund of Spiritual Diplomacy, Ukraine. Maximilian Martin, Global Managing Director, Impact Economy, Switzerland, voiced his wish that business leaders develop the right attitude towards society at large. According to Symeon Kassianides,
Chairman, Hyperion Systems Engineering, Cyprus, ‘people shall embrace each other for their differences and get strength from diversity.’ And, as Mikhail Treyvish, President, OmniGrade Rating Monitoring Agency, Russia, put it: ‘we should remember that a sustainable future can only be built collectively.’ His statement drew a round of applause.

As with the previous editions of the meeting, delegates headed for the closing dinner during the evening hours. An occasion to revel in newly-forged networks and friendships, the dinner offered further debates and reflections, ‘The 2013 Global Russia Business Meeting delivered analysis needed to address risks and opportunities and achieve sustainable financial stability and economic growth,’ summarized Michalis Louis, Chief Executive Officer, Eurobank Cyprus, Cyprus.

We at Horasis are very pleased with the results of the 2013 Global Russia Business Meeting and the feedback from participants in the event. For four years now this international event has attracted delegates from Russia and countries all over the world. ‘The meeting aimed to shape Russia’s economic agenda in pursuit of a prosperous future,’ stated Sergey Lozhkin, Chief Executive Officer, First BIT, Russia. And, according to Ioannis Kassoulides, Minister of Foreign Affairs, Cyprus: ‘I could sense – despite the current financial crisis we are experiencing here in Cyprus – an enormous interest on both the Russian and Cypriote sides, with companies embracing the idea of a Global Russia Business Meeting here on the island and being ready to offer their support.’ ‘There is a great deal of attention focused on Russian business in Cyprus, and the meeting offered Russian companies an opportunity to meet key local and global business leaders,’ concluded Margarita Papchenkova, Correspondent, Vedomosti, Russia.
On behalf of Horasis, I would like to personally thank Nicos Anastasiades, President of the Republic of Cyprus who generously agreed to act as patron of the 2013 Global Russia Business Meeting. My thanks go also to Cyprus Investment Promotion Agency (CIPA) – the meeting co-host – as well as to the co-chairs, co-organizers, partners from the private sector and all participants. This Global Russia Business Meeting was a unique experience which would not have been possible without the dedication and enthusiasm of our friends and supporters.

It is our hope that the meeting will continue to serve as an important platform for stimulating thought and creative solutions. Horasis looks forward to welcoming you back to next year’s edition of the Global Russia Business Meeting which will be held 6-7 April in Valencia, Spain. Also, Horasis takes great pleasure to invite you to take part in our other upcoming meetings, namely the Global India Business Meeting, Global China Business Meeting, Global Arab Business Meeting as well as the Horasis Annual Meeting.

Dr. Frank-Jürgen Richter
Chairman
Horasis: The Global Visions Community
I am particularly pleased that Cyprus was chosen to host this year’s Global Russia Business Meeting. It is well known that 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. I have no doubt that Cyprus and Russia will continue to enjoy a fruitful relationship and the confidence among the business communities of the two countries will strengthen even further in the future.

The Global Russia Business Meeting has certainly proved a solid platform for the exchange of ideas and experiences on current world issues and trends that affect Russia, its economy and its position on the international business map. It was particularly encouraging that we had hundreds of senior business and government officials participating, not only from Russia, but from another 40 countries around the world.

Cyprus remains one of Russia’s important economic partners and this is particularly evident by the growth of Russian companies in Cyprus. Doing business with Russia is of vital importance for the Cyprus economy. Cyprus, through its quality business services has been used as a bridge for channeling investments by major international players. It has also become a springboard for Russian corporations to develop their international activities to the rest of the European Union as well as the Middle East and Africa.

The Cypriot-Russian co-operation has undoubtedly been successful. Cyprus and Russia experience a close knit business relationship as evidenced by the fact that Foreign Direct Investment into Cyprus from Russia and vice-versa have increased significantly in the past couple of years. 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.

I would also like to emphasize that the signed double tax treaty between the Republic of Cyprus and Russia Federation is a continuation of the strengthening of the existing solid bilateral investment relationship. At the same time this acts as a catalyst of new investment opportunities between the two countries. This signature was the highlight of a series of negotiations with principal aim to improve the business relations and the flow of trade between Cyprus and Russia. This was achieved by amending the old tax treaty to take into account developments
in the tax legislation 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 this signed agreement not only enhances the business environment, but also benefits other areas of growth. An event such as the Global Russia Business Meeting provides a strong platform for further collaboration.

Cyprus has long established itself as an international business centre that can cater for the specific needs of each investor and provide customized quality services that enhance the ease of doing business. Cyprus provides Russian investors with a wide range of rewarding opportunities in various sectors, particularly in the areas of Energy, Shipping, Financial Services, Investment Funds as well as Development of Large-Scale and Infrastructure Projects. 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 fully recognize the unfortunate impact to all investors for the restructuring of Bank of Cyprus and the resolution of Laiki Bank. It has been explicitly stressed in the speeches by the President of Republic of Cyprus and his Ministers that the Cyprus Government is already taking the necessary measures to overcome the difficulties that the country is facing and is assessing the situation on a daily basis in order to maintain and strengthen the relationship between Cyprus and Russia. One of its main priorities would be to support all businesses which have been impacted by the decision of the Eurogroup as well as further enhance the co-operation with Russia. Furthermore, President Nikos Anastasiades used the Global Russia Business Meeting as a podium to announce his plans to visit Moscow and meet with President Putin in the near future.

The Global Russia Business Meeting also highlighted the fact that Cyprus has all the advantages and resources to put together a successful future on an enhanced economic development model. This will be led by a strong private sector which will act as a catalyst of economic activity and will be fully supported by the public sector and the Government. Cyprus also maintains its competitive advantages around its stable
and beneficial legal and regulatory framework and tax incentives. Moreover, the advantages of foreign companies registered in Cyprus, will not be affected or changed. The qualified business services that support local and foreign investors are still intact and well-built.

After the storm comes a calm, it is obvious that in the same way the country is now entering a new phase of stability and potential growth. Through our people and businesses’ collective efforts, Cyprus will emerge stronger with a more significant geopolitical and geostrategic role. We would like to ensure that Cyprus remains an attractive investment destination and we expect the economy to benefit from constructive measures and the steps which will be announced by the Government which will lead to a more efficient and ultimately more competitive business environment.

The outcome of the Global Russia Business Meeting has been particularly encouraging as the participants have expressed their confidence that Cyprus will recover quickly from this crisis and will most definitely continue to offer an exceptionally attractive package for foreign investors. Some of the businessmen and officials have also stated that Russia, which has deep experience in dealing with financial crises, will remain firmly close to Cyprus and assist in every possible way in this transitional period for the Cyprus economy.

Finally, I would like to convey my confidence that my country will find its road to prosperity very soon and that Russia will play an important role in that. Furthermore, I am certain that Russia itself will continue its progress and further improve the ease of doing business there while also further expand geographically to every corner of the world. Russia’s vast resources and its people’s entrepreneurship will clearly drive the country forward.
Press conference

During a networking break

Community building

At the registration desk

Taisiya Kudashkina, Chief Executive Officer and Co-founder, tulp.ru
Celebrating the 2013 Russian Business Leaders of the year

By Igor Makarov, Partner, Baker & McKenzie, Russia

We distinguish and honor three executives as Russian Business Leaders of the Year who have demonstrated leadership and business acumen in an exceptional manner. The awards go to Vladimir Chouikov, Chairman, Gotek Group, Russia; Natalya Kaspersky, Chief Executive Officer, InfoWatch, Russia; and Suren O. Vardanyan, Director General, Moscow Investment and Export Promotion Agency, Russia.

Natalya Kaspersky personally represents the great success story of a Russian business woman. The award recognizes Mrs. Kaspersky’s life and career achievements, including the global success of Kaspersky Lab and current success of InfoWatch Group of companies. InfoWatch is a leading Russian IT-company, which specializes in the office communication and security solutions and software. It is a very dynamic and growing IT-company, which notwithstanding its young age plays a visible role in Russia’s IT-sector. InfoWatch recently acquired a few European IT-companies following its expansion strategy.

Vladimir Chouikov, Chairman, Gotek Group is a classic Russian entrepreneur active in the industrial sector. He is an entrepreneur who builds new factories, creates new assets and values, and creates employment. The Gotek Group is a successful example of how a small regional company can become a leading national player and a leader in its respective industrial sector. Gotek is now the foremost Russian packaging manufacturer, which successfully competes with major global brands active in Russia.
Suren O. Vardanyan, Director General, Moscow Investment and Export Promotion Agency (MIEPA) is a very well-known person in Russian and international business circles, who throughout the years has demonstrated great dedication and personal support to the Global Russia Business Meeting. MIEPA is a sound business organization which plays an important role in supporting investments and improving the business climate in Russia.

The three award winners, selected by a jury led by Horasis and Baker & McKenzie, have been recognized for embodying the core values of successful leaders, i.e. innovation, entrepreneurial spirit, and their ability to carve out successful business. They truly deserve to be honored as Business Leaders of the Year.

The award winners, with Igor Makarov and Frank-Jürgen Richter
On the terrace of the Four Seasons Hotel
The meeting was supported by a host of partners from Russia, Cyprus and beyond.

Musical entertainment during the opening ceremony.

The Global Russia Business Meeting offered simultaneous interpretation services.
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