

Top Ten Reasons to Be Optimistic About Russia in 2004

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Here we go, the year 2004, another year of doing business in Russia. The country faces some tough challenges, but heck, who doesn't? We have our own set of challenges here at home. I am confident that Russians will rise to the task of governing and managing their country in the best way they can under the circumstances. An those circumstances are rough, given the sheer size of the largest land mass country in the world; the lack of a democratic and market tradition, and the large number of wars and civil strife fought on their territory in the last century that caused repeated setbacks for economic development and stable political governances. Nonetheless, I find emerging in Russia a new identity, a renewed sense of determination and confidence to move ahead. There are lots of reasons to be optimistic, but I'll name just ten.

1. The Russian economy is on a roll. Moody's investment upgrade signaled Russia is ready to roll up its sleeves and stimulate and import foreign (and domestic) foreign investment in a serious way. The fundamentals of the Russian economy are solid and viable for the future, and GDP growth rate (8% for 2003) is steady and impressive. Its growth rate looks especially good considering European stagnation and sluggish U.S. numbers.

2. Despite the Yukos/Khodorkovsky affair, Russia moves along. It's an internal matter and their own judgment call on how to root out corruption and protect their domestic oil industry, regardless of what we think (and Westerners have lots of theories,

ranging from a move to authoritarianism, political censorship and more). I don't hear Russians complaining about our handling of Enron, the Martha Stewart case or any of our own domestic corruption cases. Likewise, we need to accept their assessment, because it is, after all, their own country and not ours.

3. The young people of Russia are worlds apart from their parents and grandparents in their thinking, habits and world views. This is a good sign and means that Russia's youth are equipping themselves to run the country decades from now in a modern and progressive way.

4. Russia's political system is stable. The parliamentary elections that just took place last December have resulted in important governmental changes and a strengthening of Putin's position and United Russia. No doubt he will win in March in the presidential elections. There has been criticism about press censorship and pre-election shenanigans. Is it good, bad or inconsequential? I don't know the full or real story, but the question to think about is – who would you rather see in power? Would the world prefer to see Russia in more chaos with criminal tendencies unchecked, with weak leadership from the top? There are tradeoffs and it's up to Russians to make the tough decisions. Does anybody remember how parliamentary upheaval during the Yeltsin years paralyzed reform efforts?

5. Russia supports us in our war against terrorism. Since September 11, Russia has unswervingly supported policies against international terrorism, including important initiatives on Iraq, despite their initial opposition against that war. Indeed many Russian objections, such as skepticism about the existence of weapons of mass destruction

(WMD) have proved to be true in the absence of such findings. The most recent summit between Bush and Putin was friendly and productive.

6. Russia has some of the greatest oil reserves in the world. We need oil and so far, there are only positive developments on this front to increase bilateral energy cooperation.

7. Russian's are becoming more charitable in their philanthropic giving. Russia's oligarchs and wealthy classes finally understand their obligation to give back, and now more than ever, charitable causes are supported by Russian philanthropy.

8. Russia's policy makers exhibit a responsible sense of fiscal discipline. 2003 was another year of fiscal surplus. They are careful spenders and are highly creditworthy in paying off their debt.

9. Not only oil, but other sectors of the Russian economy are doing well. The telecommunications industry is experiencing a growth spurt and more Russians than ever own cell phones. Consumer spending, retail and service sectors show strong growth. Industrial production in general exceeds that of the previous year.

10. Russia's reformed tax code (starting in January 2001) is a boost for the economy. It reduced the number of taxes and the corporate tax burden. Measures such as the flat rate personal income tax (13%), reduction of VAT and simplification of the administration of social security contributions are a key pillar of strong economic performance. These and other structural reforms are slowly but surely taking root and placing the country on a solid footing.