

A SOFT START BEFORE THE REAL WORK BEGINS

Derek Norberg from the Business Summit in Moscow

The second day of the second Obama-Medvedev meeting, following their meeting in London in April has nearly concluded.

Moscow has been awash in dreary rainy weather. Nearly on cue, with Obama's arrival, the rain let up, and the sun broke through and it has remained rainless with intermittent high clouds since. I asked a Russian friend Tuesday morning, whether the Russians' had yet picked up on this divine indication of the importance for US-Russian cooperation to proceed. He laughed.

Whether the clouds parting was coincidence or not, the July 6-8 Summit events have, thus far, appeared successful. They began with the signing of several key agreements, including the target nuclear arms reductions in both war heads and missiles by roughly one-third from current levels as the framework for the renegotiated START -1 treaty to be finalized and signed before its year end expiration. They also presided over the signing of the rights for U.S. military access to Afghanistan through Russia, alternately referred to as either "flyover rights" or "use of Russia territory", for either "supply material" or for "U.S. military personnel". There seems some confusion on the precise agreement details in the press, if not between the signatories, that will only be clarified when the precise agreement is made public. In addition, the Presidents signed an agreement for the formation of a new Commission structure between the presidents, yet to be announced as to whether it is the Medvedev-Obama" or "Obama-Medvedev" Commission, that is to be coordinated by Secretary of State Hillary Clinton and Minister of Foreign Affairs Sergey Lavrov. This Commission is to have a wide range of constituent elements including commerce/business development (under Sect. Locke and Minister of Economic Development Nabiullina), and reportedly energy, environment, and innovation/technologies, among others. The precise structures, frequencies of meetings and expectations of the Commission has yet to be laid out, but represents a recognition of the greatly untapped potential and overall importance of U.S.-Russian relations on both sides.

President Obama has been accompanied by Commerce Secretary Gary Locke, but, contrary to original expectation, not Secretary of State Clinton, despite her designated role with the new Commission. At the press conference on Monday, Obama avoided any critical remarks, but did touch upon the question of who is in charge in Russia, noting that he is meeting with President Medvedev, understanding that in Russia, just as in the U.S., there is one President, with an appropriate delegation of authorities to the Prime Minister. Obama has been continuing to communicate a clear message that Medvedev is the President, "a progressive" and a person he can trust. One day prior to coming to Russia, Obama was quoted in Russian press as suggesting that Putin has "one foot in the present and one foot stuck in the past" which solicited Putin's answer that "Russians can't stand that way".

The first day was clearly successful for both sides and the Presidents and their wives dined at the Medvedev's private residence in a "close friends only" affaire, to mark the close of their first day of Summiting. Obama did have on his schedule a breakfast meeting to begin his second day with Prime Minister Putin. I have not yet seen coverage of that meeting.

Tuesday's events included Obama's commencement graduation address of the New Economic School. It was suggested that there had been some back and forth on confirming a venue hall for the speech, with the U.S. wanting the largest possible venue and the Russian government hoping to limit the audience. I have not yet seen the text of the commencement address, but it warrants seeking that, as serves as Obama's "pitch" to the Russian people much like his address in Egypt.

Two parallel “side summit events” took place concurrent to the Presidential meetings – a two-day NGO Summit and a four hour Business Summit meeting. Obama was scheduled to appear at both. I have heard that, contrary to original plans, Medvedev declined to appear at the NGO event. I heard that the Wild Salmon Center was represented at the NGO meeting. The Business Summit was a tightly limited participation pay-to attend event involving government clearance and approval of lists approved and vetted by the USRBC, Am-Cham Moscow, Russian Chamber of Commerce and Industry – Alexander Shokin’s group (RSPP) and OPORA, a Russian business association. There were numerous venue and time changes, but the Manezh finally was agreed as the venue and some 500 persons attended – mainly high level representatives of large companies and government officials.

The meeting, under the guise of the US-Russia Business Dialogue (RABD), was led by Andrew Somers, President of Am-Cham, and Alexander Shokin, President of RSPP, and the co-chairs of the RABD. The meeting was opened with general statements by Minister Nabiullina and Secretary Locke. Three panels followed of well-known large business executives – the first on Economic Content to the “re-set” of US-Russian Relations was moderated strategically by Shokin and Somers, in what appears a transparent effort by the RABD to coordinate the content going forward. The second session, on Investment and sector cooperation was capably moderated by the Oligarch Victor Vekselberg, who practically pleaded with the panel to provide more honest and even critical assessments on what needed to be done. Despite his urgings, most speakers stayed clear of criticism and many suggested the great potential for expanded cooperation while some simply advertised their projects or companies. The third panel on High Technology and Innovation was moderated by Andy Somers. Among the panelists, Ursula Burns of Xerox was the most candid in offering as barriers to business in Russia - the bureaucracy, imperfect rule of law and IP and trademark protections that, if addressed, could unleash far greater benefits from foreign investment in Russia. She noted that Russia has the talent in country to address these issues, implying it is only a question of will at the government level.

In addition to curbing bureaucracy and providing improved rule of law and intellectual property protection and simplified business visa regimes, as positive improvements the two governments should pursue. There were several references to Russia’s recent departure from its WTO application shift in approach to a joint application as a Customs Union with Kazakhstan and Belorussia; however neither side made any clear statement of position on the move. It was apparent that most on the U.S.-side felt the shift in Russia’s was a costly mistake, while the Russian-side seemed to feel the shift did not necessarily mean a delay in the process (or simply chose to be silent to avoid criticizing the Russian government’s move). The persistence of the Jackson-Vanik Amendment received some criticism.

The Presidents were delayed and Andy Somers and Alexander Shokin filled the time soliciting some questions from the audience. Noteworthy was a question on why there was not more small and medium business represented at the meeting? Both Somers and Shokin proceeded to call for SME representatives from both sides to come to the mic. Insofar as they both were key parties to preparing the list of member attendees at the event and then culling down the list to its final composition, they likely were well aware that no SMEs were represented in the room. The question did raise a valid question as to SME access not only to this event, but to the commercial component to the new Commission in general that has been suggested be comprised of a limited number CEOs of major companies (a dozen) from each side on a rotating basis. Clearly, broader access to the Commission is an unresolved issue.

The Presidents arrived and addressed the meeting. Medvedev’s remarks were positive on the historic basis to US-Russian commercial relations. He noted the opening of the Boeing-

VSMPO-Avisma joint-venture. He closed with the remark – The stronger our business ties, the easier our relations overall.

Obama's now notorious abilities as an orator did not fail him. His speech was inspiring. His thanking the Russians for "selling Alaska cheap", got a few chuckles, but seemed to me a topic he might have been advised not to touch, as many Russians have a poor understanding of the historical context of the sale and some even take wholly revisionist views, questioning the motivations and even legal-basis of the sale. The joke did fall a bit flat with the Russians, but with his ease and smile, Obama got through it. Obama in his concluding remarks included the statement that both sides need to reduce bureaucratic obstacles, improve transparency and rule of law. He stated that the governments must get out of the way and will, but that entrepreneurs and businesses must then lead the way. His final statement was very well stated and uplifting – "We have to grow this economy and we are going to do it faster if we do it together".

In conclusion: The objective this week is launching a process successfully and adding some mechanisms for improved engagement. Leverage on tougher issues is seemingly not on the agenda this week, or, at least it is not for public statements. This seems most prudent. While I have not seen the closed-door session, the first two days of the Presidential Summit meetings appear to be on-track and successful. There does seem a desire to ensure that a positive tone is maintained, even at the expense of addressing the serious issues that are well known to both sides. It is probably an appropriate approach, With US-Russian relations having fallen to such a low level; the re-set deserves a soft start before the real work begins.