

DOOR THAT OPENS BOTH WAYS

THE RUSSIAN DELEGATION AT FII ACHIEVED RESULTS THAT PREVIOUSLY WOULD HAVE BEEN DIFFICULT TO PLAN AND EVEN DISCUSS. RUSSIAN COMPANIES WERE OFFICIALLY INVITED TO PARTICIPATE IN THE IMPLEMENTATION OF THE NATIONAL SAUDI ECONOMIC AND SOCIAL TRANSFORMATION PROGRAM VISION 2030. THE RDIF AND SAUDI ARABIA TOGETHER WITH CHINA ARE CREATING AN ADVANCED MODEL OF INTERACTION BETWEEN THE SOVEREIGN FUNDS OF THE THREE COUNTRIES, WHICH HAS NO EQUIVALENT IN THE WORLD. THE FINAL RESULTS OF THE NEGOTIATIONS WILL BE SUMMED UP DURING THE UPCOMING VISIT OF RUSSIAN PRESIDENT VLADIMIR PUTIN TO SAUDI ARABIA IN EARLY 2019.

VASILY PETROV

ONE OF THE KEY OUTCOME OF THE FII WAS THE ESTABLISHMENT OF A FUNDAMENTALLY NEW CONCEPT OF SOVEREIGN FUNDS COOPERATION



Kirill Dmitriev, CEO and Chairman of the Management Board of the Russian Direct Investment Fund (RDIF), headed the Russian delegation at the FII Forum. The delegation also included Andrei Kostin, head of VTB; Sergey Ivanov, head of Alrosa; Mikhail Gutseriev, owner of the Safmar Group; Dmitry Konov, head of Sibur; Grigory Berezkin, owner of the ESN Group; Mark Garber, Chairman of the Board of Directors of the GHP Group; Sergey Levin, Deputy Minister of Agriculture; Mikhail Piotrovsky, Director of the Hermitage Museum. The day before the FII opening, HRH Prince Mohammed bin Salman bin Abdulaziz, the Crown Prince, Vice President of the Council of Ministers and Minister of Defense of Saudi Arabia held a meeting with Russian businesses represented by Kirill Dmitriev; Peter Fradkov, the head of Promsvyazbank; Said Gutseriev, a member of the board of directors of Safmar; Alexei Kozlov, the Managing Director of Sibur; a well-known businessman David Yakobashvili and others. This meeting lasted more than three hours.

The subject of negotiations between companies and investment funds at the FII Forum was a number of particular projects. For example, RDIF expects Saudi Aramco to finalize investments in Russian oilfield service companies in the near future. Russian Railways prepared its proposals for the project of railway infrastructure construction in Saudi Arabia. Russia has very good experience in implementing such projects primarily in India, and Russian Railways' application for the Saudi

project can be successful. The Russian Ministry of Agriculture plans to be a primary supplier of grain to the Kingdom. VTB is negotiating cooperation with the sovereign fund of Saudi Arabia (Public Investment Fund, PIF) and, together with the RDIF, offers projects in Russia.

His Majesty King Salman bin Abdulaziz of Saudi Arabia visited Russia last Autumn and Russian President Vladimir Putin is expected in Riyadh in the near future and it will be a perfect moment to finalize the agreements reached at the FII Forum by signing new ambitious contracts.

The outcome of the negotiations at FII for Russian business is extremely significant — in fact, Russian companies were invited to participate in the implementation of Vision 2030, the national transformation program, designed to transform the Saudi economy (see page 11). The projects discussed in Riyadh may become components for implementation of Vision 2030. For example, Russian Railways can join the Transport and Logistics Program. SIBUR's large petrochemical projects in Saudi Arabia will support the industrial part of the Vision 2030 program, the ESN — its energy component. Finally, the appearance of Mikhail Piotrovsky in Riyadh suggests the significant participation of the Russian cultural projects in the KSA program for the development of culture. Two or three years ago, it was impossible to imagine anything like this. In this sense, the FII Forum in Riyadh was an extremely effective

demonstration of the extent to which the development programs of the two countries can be integrated.

During the FII PIF announced that it would invest \$500 million in the Russian-Chinese Investment Fund (RCIF), founded by the RDIF and the China Investment Corporation. This will increase the capital of RCIF to \$2.5 billion (the contribution made by the RDIF and China Investment Corporation is \$1 billion each). As a result of the PIF investment, a trilateral Russian-Chinese-Saudi investment fund will be created. «The three leading sovereign funds combine their efforts to jointly implement investment projects. Such a scheme will not only unify the expertise of investors in Europe, Asia and the Middle East, but also allow the fund's portfolio companies to receive support in several key markets at once», said Kirill Dmitriev.

The significance of the proposed scheme should not be underestimated. On the one hand, both Saudi Arabia as a state, and the PIF as a sovereign fund, have quite extensive experience in joint projects with sovereign funds of the Gulf countries. Still, all projects of this kind involve regional cooperation and are a consequence of the common history of the Arab world. On the other hand, sovereign funds almost always operate for purely sovereign interests, and even bilateral cooperation between them is a very infrequent phenomenon. Almost from its inception, RDIF has been building its model on multilateral cooperation of sovereign funds. However, the trilateral Russian-

Chinese-Saudi investment fund is, in essence, a unique project. From a geopolitical point of view, the set of participants is very important. In terms of investment opportunities, this is an unusually diversified model that very well complements the capabilities of all parties. The possible success of the trilateral sovereign fund of Saudi Arabia, China and Russia could be a real revolution in this sector of the market, which is likely to be replicated around the World. Leadership in this process can be very important. Politically supported sovereign funds compete with international development institutions, which in recent years have been going through a transformation.

Multilateral projects of sovereign funds based on market principles may also increase the importance of the funds for national economies. In this regard, Russia, Saudi Arabia and China are clearly the right partners to work together in the framework of the trilateral fund. RDIF is a well-integrated development institute included in most Russian priority national projects. The Chinese economy is in the process of changing the concept of development and reorientation from the export model to the domestic market. For Saudi Arabia, Vision 2030 is a long-term program for the economic transformation of one of the richest countries in the world. The tangible benefit of this trilateral cooperation may be much more significant than it seems at first. Those benefits may appear as early as 2019–2020, and these are results of collaboration that will be followed by many worldwide. ■