

## THROUGH THE DIGITAL BARRIER

Four years ago, President Vladimir Putin formulated the national digital transformation agenda that is to become one of the key components of the integrated Russian economic development strategy. The system transition to modern digital technologies and the organization of international cooperation based on a new technological infrastructure are the main directions for revealing competitive advantages and accelerated state development, acknowledges a Russian politician, former Russian Minister of Agriculture (2009-2012) Elena Skrynnik. She has shared her vision of the country's path through the digital barrier in an interview to BRICS Business Magazine.

**The public knows you first as a successful minister of agriculture in Vladimir Putin's cabinet – the only woman to occupy this position in Russian history – then as a founder of the leasing industry in Russia. However, lately you have been busy with the problems of digital development as an international expert at some of the most prestigious events, such as the worldwide technology conference WEB SUMMIT and others. What is the reason behind this transformation, interest in the digital economy?**

The first important aspect is that digitalization is a hot topic today. Being a part of the digital economy is not a question of choice for economic agents, companies, employees, or even countries. It is not a question of competitive dominance. It is a question of market survival, on a global scale.

An alternative is simple. You either have and apply modern digital and information technologies – use the opportunities, speed, flexibility, and adaptability to changes – or rapidly leave the market. If we are speaking about a country, it becomes a technological periphery with a complete set of risks and vulnerabilities, in terms of security, as well.

I am sure that all my years of experience in governmental activities constitute a good foundation based on which I efficiently participate in the processes associated with the digital transformation in our country. Therefore,

the second important aspect in answering your question is that my decision to be engaged in digitalization is quite natural.

**In many ways, you are a pioneer for Russia. For instance, in the leasing industry that you founded in our country. Until the late 1990s, this word was not even familiar to us. Tell us if it was difficult. How did you start developing this industry?**

Do you remember the situation during those years? There were not enough credit resources, the material and technical base required re-equipment; nothing was easy. I graduated from the Academy of National Economy, where I studied leasing. In 1994, the only thing we had in our country for leasing development was a presidential decree by Boris Yeltsin – that is all. Together with like-minded specialists, I founded the Russian Association of Leasing Companies exactly for the purpose of creating the legislative framework, once we had studied the foreign experience where leasing deals accounted for billions of dollars. We were well aware that we would not be able to do anything without that legislative framework. Thus, having started the work, we introduced a law on leasing activities, and amendments were made to the Civil Code where it was indicated what leasing is. In 1997, the volume of leasing operations in Russia reached over one-and-a-half billion dollars.

The rapid growth of this industry in Russia began. It became clear to banks, to manufacturers

in all spheres, to other financial institutions that leasing is the solution to many problems when it is not possible to provide certain guarantees and it is necessary to develop and re-equip the material and technical base. Leasing is a secure form of investment.

In 1997, I became the head of the Russian Association of Leasing Companies; in 2001, I was appointed general director of the State agro-industrial leasing company Rosagroleasing.

From 2009 until 2012, I was a member of the government, the minister of agriculture of the Russian Federation under the leadership of Vladimir Putin.

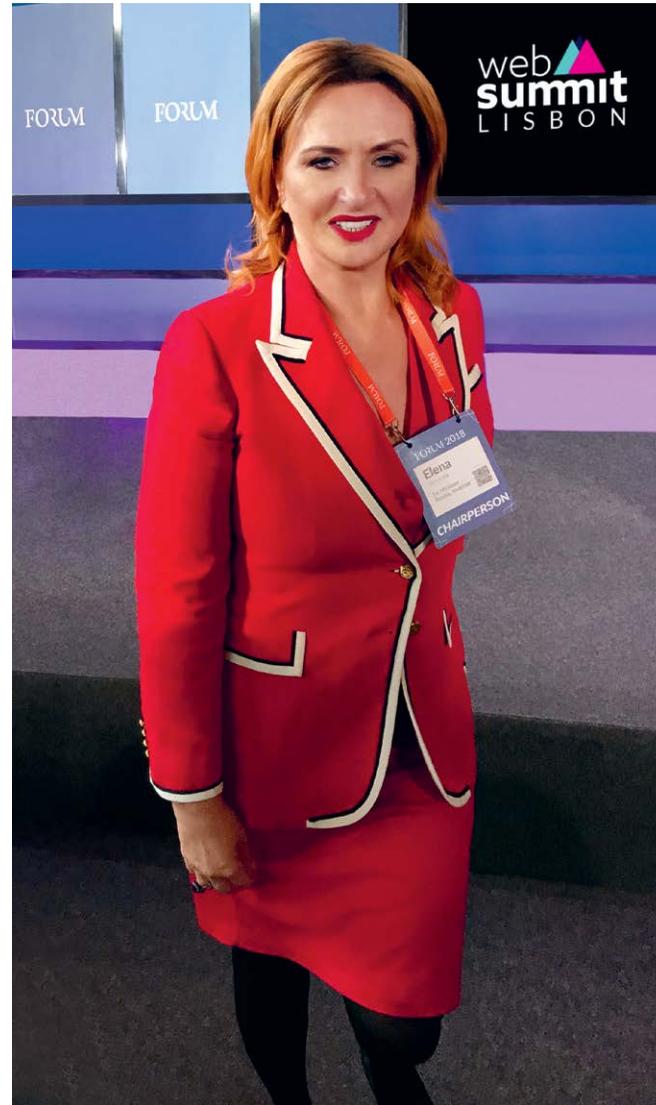
To achieve real results, I had to study global best practices, innovative approaches. As a result, the Russian agro-industrial complex is highly productive, competitive, and one of the most dynamically growing sectors of the country's economy.

**President Vladimir Putin has praised the achievements of the Russian agricultural sector every year recently, including the achievements in foreign markets. For three years in a row, Russia has been the world's leader in wheat exports. The pace of agricultural production steadily exceeds the dynamics of the Russian economy as a whole.**

I must confirm that it would be impossible to achieve such results without the personal position of the country's leader, his vision and active participation in supporting the agricultural sector.

I especially want to highlight four important areas. Firstly, the foundation for the long-term development of grain exports has been laid. I would like to remind you that in 2009 at the UN's FAO World Food Security Summit, I announced that within 10 years Russia would reach a stable grain export of 30 million to 40 million tons. And so it happened. To date, the volume of deliveries to the global market falls in that forecasted corridor.

Secondly, the problem in poultry farming was solved. Under the leadership of Vladimir Putin, we managed to clear the market of unsafe products, to launch large-scale import substitution, to provide state support to Russian producers of poultry meat. As a result, its production volume in 2019 amounted to five million tons, despite the fact that in 2000 we imported about 1.4 million tons into the country.



Thirdly, we successfully resolved the issue of dried milk from Belarus, which was supplied in such quantities and at such prices that Russian manufacturers could not compete. The situation was extremely tense. What was done: the projected balances of supply and demand for dried milk were introduced. The volume that was required by the market was imported. Thus, for the first time in many years, we managed to stabilize the production of domestic natural milk at the level of 3.2 million tons.

Moreover, we were able to motivate investors to invest in Russian beef production. We formed a culture of consumption of domestic red meat. Over the past 12 years, the share of specialized beef and cattle increased by 11.3 times compared to 2005.

## OVER 10 BILLION RUBLES

accounted for the expenses of Russian state-owned companies on the acquisition of Russian software in 2019 due to the import substitution policy. According to government plans, this figure should grow to 82 billion rubles in 2020 and to 150 billion rubles in 2021.



Fourthly, a farming class was created. The corresponding federal programs and a system support in the form of subsidies and grants were launched.

However, I repeat, without the active support of the industry from the president, we could not have achieved such success. President Vladimir Putin takes the same active stance on the issue of digital transformation in Russia. He was the first to formulate and begin to consistently promote this agenda.

### DIGITAL ON THE PRESIDENT'S RADAR

#### What did this agenda include?

Let me remind you that it was in 2016 that Vladimir Putin announced for the first time the need to re-orient the country's economy toward

a digital model in order to bring it to a new qualitative level. The main thesis read as follows: Without a digital economy, a country will not be able to move to a new technological structure, and without it, we have no future in the full sense of this word. I completely agree with this wording of the issue.

**At the same time, the state announced its readiness to take on a number of obligations in the sphere of digital transformation on a national scale.**

Firstly, to maximize the development of areas of systemic importance, including the formation of an appropriate regulatory framework.

Secondly, to provide support to companies that hold digital economy developments and competencies in key areas, including in the field of big data, artificial intelligence, neurotechnology, and virtual and augmented reality technologies.

Thirdly, to participate in the creation of the supporting infrastructure of the digital economy, including the creation of secure communication lines and data centers.

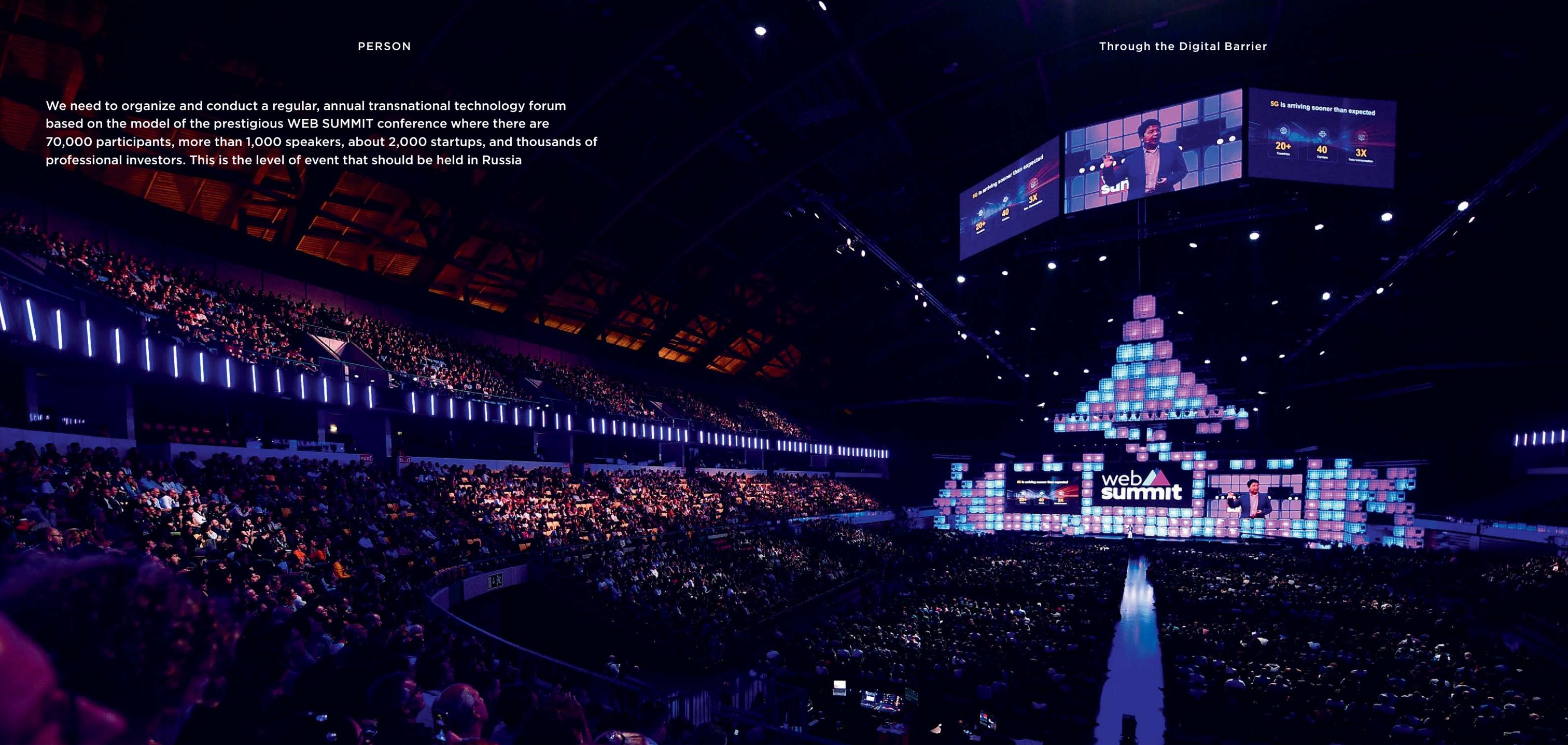
And, fourthly, to create the conditions for the mass training of specialists for the digital economy, including the allocation of funds and efforts in areas such as education, creating a business environment, increasing the flexibility of the labor market, and developing venture financing institutions.

**In 2018, digital transformation became the central topic of the Presidential Address. At that time, important theses were expressed regarding what areas the state and business should focus their main efforts on. Can you list the basic ones?**

The president outlined the need to work on creating our own digital platforms compatible with the global information space, developing the most advanced regulatory and legislative framework in the field of digitalization, removing barriers to the development and use of breakthrough technologies including robotics, unmanned transport, and artificial intelligence. All of these are really crucial.

I completely share the president's point of view on another issue: Russia should turn not only into a key logistics and transport hub of the planet, but also into one of the world's centers of storage,

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processing, transmission, and reliable protection of information arrays.

A separate issue is the importance of the digital transformation of companies, starting with large state ones. They should set the tone in this work, also increasing their own effectiveness.

**How do you assess the progress of the Russian corporate sector in its own digital transformation?**

As with any issue, there are leaders and outsiders here. A study conducted by KPMG in 2019 showed that representatives of the banking and financial sectors, IT and software development, as

well as industrial production most enthusiastically turn to digital.

The outsiders are companies specializing in providing business services, the entertainment industry, and construction.

Our own analysis suggests that the process is under way. Although, as you can see, there is still room for growth for Russian businesses in terms of digital transformation. As practice shows, this process is particularly difficult to launch in large corporations.

**What do you associate this challenge with?**

One of the main reasons is relatively poor management quality. If a large company has a

choice, to start the change process or to leave it as it is, then the latter option is still perceived by many as preferable.

However, as we have already said, such tactics are increasingly less relevant to the processes taking place in the world. Those who do not learn how to change will not be able to increase flexibility and efficiency, and will eventually give up their market place to more advanced and dynamic competitors.

**How can this problem be solved?**

One of the main routes is the creation of conditions, including financial, for the emergence

and development of small technology companies and startups in Russia.

Small companies are happy not to have many of the shortcomings of large corporations – they are active, mobile, flexible, and susceptible to everything new. There are great opportunities for synergy between large and small technology companies. Similar mechanisms are well known and work well in the most developed countries in the world. It is important to emphasize that special attention should be paid to the formation of a favorable ecosystem environment, creating a set of necessary conditions for the development



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about forty percent. It is also necessary to think over conditions here, including the regulatory environment and support infrastructure.

#### **THE INFRASTRUCTURE OF INNOVATION**

**As an expert and leader, you pay special attention to this problem. How do you define your mission?**

Our mission reads as follows: comprehensive assistance to the economic and social development of Russia, in accordance with the presidential objectives, by promoting innovation and digital technologies, increasing human capital, and improving the level of investment attractiveness of the country. Our main strategic goal is a high level of innovation in the Russian economy.

The goal is to maximize the growth of the share of small and medium-scale businesses in Russian GDP, ensuring the systematic use of resource-saving, best production practices. This is one of our priority areas.

**Which mechanisms do you use here?**

For example, in close cooperation with the expert community, we are introducing a modular concept of digital transformation for small and medium enterprises. It provides for the creation of a digital platform, a single center for managing digital change, and the introduction of innovative business models. A program has been established for the development of digital exports as the basis for non-primary supplies exports.

In addition, we are promoting two important initiatives that will substantially advance the development of technology startups and small and medium-scale businesses. In particular, they will create mechanisms for regional and international cooperation in this area.

**What initiatives are we talking about?**

First, it is the creation of a network of business parks for small and medium-scale businesses in every region of our country. The main goal is to

create an environment and infrastructure in the broad sense of the word that is most favorable to doing business. Business parks will significantly reduce overhead costs, transaction costs and risks of small businesses, increasing at the same time its sustainability and profitability.

The use of common network standards will make it possible to increase the mobility and scalability of successful enterprises across the country, and will contribute to the effective training of relevant digital skills.

Secondly, we need to organize and conduct a regular, annual transnational technology forum based on the model of the prestigious WEB SUMMIT conference, where there are 70,000 participants, more than 1,000 speakers, about 2,000 startups, and thousands of professional investors. This is the level of event that should be held in Russia.

Both initiatives are directly related to the creation of a national ecosystem of digital, innovative entrepreneurship including by attracting talented scientists, engineers, businesspersons, and financiers from around the world to this work. The potential for cooperation and synergy is huge. The BRICS countries, the SCO countries, other large and fast-growing economies – we all must seek common interests and mutually strengthen our positions in the world market.

**Do you see the synergy between business park network projects and the international technology forum?**

These are interconnected projects. The network of business parks should become the international standard of the ecosystem for the development of small and medium-scale businesses, a usual working environment for innovative entrepreneurs. Moreover, it should be a powerful magnet for talented specialists from other countries, including the BRICS countries. A technology forum will help optimize the model of a network of business centers and promote it internationally.

**The government should clearly be interested in such initiatives!**

Based on my experience, I can see several significant positive factors from their practical implementation.

Firstly, their implementation will help develop the potential and competitive advantages of Russia

and strengthen mutually beneficial international cooperation based on common interests; this is very important.

Secondly, the international digital ecosystem of business development is a serious tool for building trust, building strong horizontal ties between entrepreneurs and people in general. Remember the recent World Cup in our country. How it improved attitudes toward Russia! We can repeat this success and consolidate it on a systematic basis.

And thirdly, they are able to bring significant economic effect with a relatively low amount of budget investments.

**Is it right to consider that it is to the state that you assign a key role in the development of an innovative economy – in particular, in the process of digital transformation?**

Success requires a combination of several factors, including centralized state planning and economic freedom, the strength and scale of corporations, and the flexibility and efficiency of small and medium-scale businesses. Those are the coordinated efforts and the will of all stakeholders.

By developing and complementing the strengths of business and the state, we can form a single, growing ecosystem of the Russian digital, innovative economy. Integrated use, maximum development, and strengthening the fundamental competitive advantages of Russia while creating new ones – this is the core around which this ecosystem can be built.

In addition, a systematic approach to international cooperation is required, which would allow us to fully and deeply take into account the interests of our country.

**Thus, the financing problem is not a key aspect here?**

Absolutely. We need not only funds but also ideas, qualified personnel, and entrepreneurial experience. All of these are the most important assets that we must develop at home and attract to Russia from all over the world.

It is important to take into account that the transition through the digital barrier, the creation of a new, post-industrial society, is a global challenge and a new window of opportunities for the development and strengthening of Russia as a world leader! ■