CASE STUDY OF RUSSIA’S PUBLIC DIPLOMACY TO ATTRACT U.S. DIRECT INVESTMENT

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BY

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CHAPTER I
INTRODUCTION

Value of Foreign Direct Investment in A Country’s Economic Development

Foreign direct investment (FDI) is an important factor for a country’s economic development. It increases capital flow to the country and brings new business practices, skills transfers and technological innovations. FDI also accelerates industrial development and stimulates economic modernization and job creation (Fischer, 2000).

The country’s political stability, natural resources, availability of skilled labor and infrastructure as well as domestic demand for products and services, property rights protection and foreign investment policies are the major determinants of its attractiveness as an investment destination (Kotler, Jatusripitak, & Maesincee, 1997). However, investment promotion activities play a great role in communicating the country’s advantages to foreign investors.

Public Diplomacy and FDI

Public diplomacy, or “an international actor’s attempt to manage the international environment through engagement with a foreign public” (Cull, 2009), represents one of the instruments for attracting inward FDI.

This work explores the public diplomacy activity performed by the Russian government and other entities to improve Russia’s image as an investment destination in 2010.
Decrease in Russia’s Inward FDI in 2009

Russia’s economy shrank by 7.9 percent in 2009, before slowly starting growing anew in 2010 (Reuters, February 27, 2010). According to a report of the Ministry of Economic Development of the Russian Federation (based on the Bank of Russia and IMF data), the ratio of inward FDI to GDP decreased from 1.2 in 2008 to only 0.4 in 2009.

The 2010 World Investment Report by the United Nations Conference on Trade and Development (UNCTAD) states that after a dramatic increase in 2008, FDI almost halved in Russia in 2009, falling from $75.4 to $38.7 billion. According to the report, Russia’s FDI misfortune in 2009 could be explained by “sluggish growth of the economy and local demand, diminishing returns of natural resources related projects, and the drying up of round – tripping FDI” (United Nations Conference on Trade and Development, 2010). Russia also saw capital outflow of $52 billion in 2009 (United Nations Conference on Trade and Development, 2010).

In 2009, China was the leader among BRIC countries in terms of attracting FDI. Foreign companies invested $78 billion in China, almost twice as much as they did in Russia. India received $35 billion in FDI while Brazil obtained $26 billion, as the Organization for Economic Co-operation and Development reported (Organization for Economic Cooperation and Development, 2010).

Russian Business Climate Rankings 2009

Decrease in inward FDI in Russia in 2009 was coupled with the country’s lower position in global rankings such as IFC - World Bank’s “Doing Business” rating and Transparency International Corruption Perception Index.
IFC - World Bank’s “Doing Business” report ranked Russia’s economy as only the 120th in 2009 in terms of business climate (112 in 2008). USA was ranked as # 4, China as # 89, India as # 133, and Brazil – as # 129 (IFC - World Bank, 2008).

The Transparency International Corruption Perception Index 2009 put Russia as only 146th out of the 178 countries ranked (Transparency International, 2009).

Russian Economic School (RES) reported that more than 70% of Russian and foreign investors considered taxation, lack of skilled human resources, corruption, access to funds, and the legal system to be the major barriers in doing business in Russia (Ministry of Economic Development of the Russian Federation, 2010).

**Russia’s Initiatives to Increase Inward FDI in 2010**

Due to the economic downturn and decrease in inward FDI, Russian President Dmitry Medvedev declared the country’s modernization as one of the major priorities for his term of office. In May 2009, he headed the State Commission on Modernization and Technological Development of Russia’s Economy (Russia Today, 2010).

In February 2010, President Medvedev urged the government to develop measures to attract foreign investment, such as lifting quotas on the employment of foreign specialists and easing customs clearance procedure for engineering and hi-tech companies (Press Service of the President of Russia, 2010, February 11). The immigration procedure for foreign highly-skilled specialists was simplified. The government also announced the decision to reduce fivefold the number of strategic enterprises, which were closely guarded by the government against too much foreign investment (Press Service of the President of Russia, 2010, June 18e).

In February 2010, President Medvedev signed an executive decree to develop an innovation city, Russia’s version of Silicon Valley (Skokofo Foundation, 2010b).
In March 2010, Skolkovo near Moscow was selected as the location for the project (Skolkovo Foundation, 2010b). The innovation center would focus on 5 priority areas in Russia’s economic development: energy, IT, telecommunications, biotechnology and nuclear technology (Skolkovo Foundation, 2010b).

In April 2010, the English – language online forum on economic and social modernization in Russia, ModernRussia.com, was created, targeting current and prospective foreign investors. Ketchum, New York - based PR agency, manages the website on behalf of the government of the Russian Federation (ModernRussia.com, 2010).

In June 2010, at the St. Petersburg Economic Forum, Medvedev suggested new measures such as tax breaks and the creation of a special investment fund on the basis of government – business partnership, to spur the investment boom in Russia (St. Petersburg International Economic Forum, 2010, June 18e).

Developing U.S. – Russia economic relations and promoting Russia’s investment opportunities became President Medvedev’s major goals for his first official visit to the U.S. in June 2010. He tried to increase the awareness of positive changes in Russian business regulations and of the opportunities to invest in the Skolkovo project. According to the Bank of Russia and Rosstat (Federal Service of State Statistics) in 2009, the U.S. took only the 10th place among the top foreign investors in Russia, following Cyprus, the UK, the Netherlands, Germany, Luxemburg, France, the UK Virgin Islands, and Ireland (Rosstat – Federal Service of State Statistics, 2011).

**Russia’s Inflow FDI in 2010**

FDI in Russia dropped by 13.2% in 2010 in comparison to 2009 and it was $13.8 billion, according to Rosstat – Federal Service of State Statistics (2011). Major
foreign investors in Russia were Cyprus, the Netherlands, Ireland, France, Japan, and the UK Virgin Islands (UK). As of October 1, 2010, the U.S. accounted for only 3% of FDI in Russia. According to the overall 2010 results, the U.S. was no longer in the top 10 foreign investors in Russia (Rosstat – Federal Service of State Statistics, 2011).

**Russian Business Climate Rankings 2010**

Russia fell eight places from 146th place to 154th on the Transparency International Corruption Perceptions Index 2010, tying it with Tajikistan, Papua New Guinea, Haiti and Kenya. It ranked as the most corrupt economy in the G-20 and among the BRIC nations. Brazil ranked 69th, China – as 78th, and India – as 87th (Transparency International, 2010).

In 2011 IFC – World Bank's Doing Business rating (the data are current as of June 1, 2010), Russia was ranked the 123rd out of 183 countries analyzed, in comparison to the 118th place in 2009 and the 120th position in 2010 (IFC – World Bank, 2008, 2009, 2010).

The current study analyzes major forces in Russia’s public diplomacy aimed at attracting U.S. investment as Russia was especially interested in American technology and innovation expertise. It also investigates strategies and tactics that Russian public diplomacy players utilized in 2010 and examines the coverage of the country as an investment destination by the U.S. general and financial media.
International Communication System

Several studies focused on the analysis of international communication system and its major components. Fortner (1993) defines international communication as “communication that occurs across international borders”. Mowlana (1996) describes it as the transfer of values, attitudes, opinions, and information through individuals, groups and governments, and technologies, as well as the study of the structure of institutions responsible for promoting such messages among nations and cultures, channels of communication, and mutually shared meanings (Mowlana, 1996). International flow of information represents the movement of messages across national borders among two or more national cultural systems (Mowlana, 1996). Steinfatt & Milette (2009) explain international communication as the study of both mass mediated communication between countries, often but not always with significantly different cultural worldviews, and interpersonal communication, mediated or face-to-face, between persons representing different governments and the factors, whether intercultural, cross-cultural, mediated, or political, that influence both the construction and interpretation of such message exchange. The analysis of international communication has been traditionally devoted to the analysis of government-to-government information exchanges, in which a few powerful states dictated the communication agenda (Mowlana, 1996; Thusso, 2006).
However, advances in communication and information technologies as well as the emergence of nongovernmental actors have greatly enhanced the scope of international communication – going beyond government-to-government and including business-to-business and people-to-people interactions at a global level and at speed unimaginable even a decade ago (Mowlana, 1996; Thusso, 2006).

Diplomacy, in general, refers to a communication system through which representatives of states and international or global actors, including elected and appointed officials, express and defend their interests, state their grievances, and issue threats and ultimatums (Gilboa, 2000). Exposing diplomacy to the media and public opinion created a “new diplomacy” with new rules, techniques, and immense implications for government officials, diplomats, journalists, and the public (Gilboa, 2000; Melissen, 2005). One feature of this new form of communication was the importance placed on public opinion. Technological advancement in communication allowed governments to direct their messages to large national, as well as international audiences (Mowlana, 1996).

Public Diplomacy in the System of International Communication

The term public diplomacy was first applied in 1965 by Edmund Gullion of the Fletcher School of Law and Diplomacy at Tufts University to the process by which international actors seek to accomplish the goals of their foreign policy by engaging with foreign publics and has gained international currency only since the end of the cold war (Cull, 2008).

Tuch (1990) defines public diplomacy as “official government efforts to shape the communications environment overseas, in order to reduce the degree to which misperceptions and misunderstandings complicate relations between nations.”
Manheim (1994) discusses a term “strategic public diplomacy”, which he described as “the international manifestation of a relatively new style of information management.” According to the scholar, this type of political communication incorporates “the use of sophisticated knowledge of such attributes as attitude and preference structures, cultural tendencies, and media-use patterns to shape and target messages so as to maximize their desired impact while minimizing undesired collateral effects” (Manheim, 1994).

Gilboa (1998, 2000, 2001, 2002) differentiates between media diplomacy and public diplomacy as two separate types of international communication. Thus, “media diplomacy” refers to the uses of the media by leaders to communicate with state and non-state actors, express interest in negotiations, to build confidence and to mobilize public support for agreements (Gilboa, 1998). In contrast to media diplomacy, according to Gilboa (2000, 2001) public diplomacy is used when sides are engaged in confrontation; it has more long-term and general goals vs. short-term and more specific goals of media diplomacy.

Gilboa (2001) suggests three variants of public diplomacy such the basic, non-state actors traditional, and domestic public relations ones. The basic variant refers to the use of the media and other sources to win the critical battles for the minds of people in countries with hostile governments. In the second, non-state actors traditional variant, government and private individuals and groups influence directly or indirectly those public attitudes and opinions that bear directly or indirectly on governments’ foreign policy decisions (Signitzer and Coombs, 1992; Gilboa, 2001). If in the basic variant, a government uses its own means communication to conduct public diplomacy, in domestic public relations variant, it hires public relations firms and lobbyists in the target country to achieve its aims (Gilboa, 2001).
Signitzer and Wamser (2006) also highlight differences between public diplomacy, cultural diplomacy, and media diplomacy. Public diplomacy consists of direct communication among governments and foreign publics; cultural diplomacy relies on favorable attitudes toward a nation’s culture to facilitate diplomatic relations; and media diplomacy utilizes news media channels to conduct open diplomacy. Public diplomacy and media diplomacy extend international communication beyond the realm of professional diplomats and other government officials to anyone with access to the Internet or global news media.

According to Gregory (2008), public diplomacy is used by states, associations of states, and non-state actors to understand cultures, attitudes, and behavior; build and manage relationships; and influence opinions and actions to advance interests and values. It is used by political actors to understand the consequences of policy choices, set public agendas, influence discourse in civil society, and build consent for strategies that require trade-offs among costs, risks, and benefits.

Nye (2008) argues that public diplomacy is an important tool in the arsenal of smart power, but smart public diplomacy requires an understanding of the roles of credibility, self-criticism, and civil society in generating soft power. A smart power strategy combines hard and soft power resources (Nye, 2008).

According to Nye (1990, 2008), soft power is “the ability to affect others to obtain the outcomes one wants through attraction rather than coercion or payment.” The soft power of a country rests primarily on three resources: its culture (in places where it is attractive to others), its political values (when it lives up to them at home and abroad), and its foreign policies (when they are seen as legitimate and having moral authority) and on the ability to shape the preferences of others (Nye, 2008).

Public diplomacy is an instrument that governments use to mobilize these resources to
communicate with and attract the publics of other countries, rather than their governments (Nye, 2008).

Castells (2008) argues that there is a public sphere in the international arena; it exists within the political/institutional space that is not subject to any particular sovereign power but, instead, is shaped by the variable geometry of relationships between states and global non-state actors. According to Castells (2008), public diplomacy seeks to build a public sphere in which diverse voices can be heard in spite of their various origins, distinct values, and contradictory interests. Public diplomacy is the diplomacy of the public, that is, the projection in the international arena of the values and ideas of the public (Castells, 2008). The implicit project behind the idea of public diplomacy is not to assert the power of a state or of a social actor in the form of “soft power.” In contrast, it is to harness the dialogue between different social collectives and their cultures in the hope of sharing meaning and understanding (Castells, 2008).

Currently, the concept of public diplomacy is usually understood as “an international actor’s attempt to manage the international environment through engagement with a foreign public” (Cull, 2009). There is not, though, any consensus reached on the dimensions and components that public diplomacy includes.

**Public Diplomacy Dimensions**

Malone (1987) divides overseas activities into the information field and cultural/educational field. The information field includes publications for foreign readers, speakers to overseas audiences, and radio, and TV broadcasting. The educational/cultural field consists of exchange programs, artists and exhibit programs, operation of libraries and cultural centers abroad, and overseas corps of career officers to establish contact with opinion leaders.
Focusing on the United States, Smyth (2001) further classifies the country’s public diplomacy practices into five kinds: (a) media diplomacy/public statements, (b) public information, (c) international broadcasting services, (d) education and cultural programs, and (e) political action organizations.

Leonard (2002) distinguishes between three dimensions of public diplomacy: news management, strategic communication, and relationship building in three major spheres: political/military, economic, and social/cultural. He suggests two types of public diplomacy: cooperation and competition, and five public diplomacy instruments: NGO diplomacy, diaspora diplomacy, political party diplomacy, brand diplomacy, and business diplomacy (Leonard, 2002). He has not, though, integrated these variables into one general framework.

Cowan and Arsenault (2008) argue that commentators and professionals often assume that effective public diplomacy requires that state and private actors communicate with the people of other nations by moving from monologue to dialogue. Cowan and Arsenault (2008), however, state that both monologue and dialogue are essential public diplomacy tools and that collaboration is a third layer of public diplomacy that should also be examined.

Monologues in a form of a governmental address or a document can be used when a nation wants the people of the world to understand where it stands (Cowan & Arsenault, 2008). Such monologues, though, can be used as the basis for dialogue after they enter the marketplace of ideas, and they may even lead to collaboration (Cowan & Arsenault, 2008).

Collaboration defined as initiatives that feature cross-national participation in a joint venture or project with a clearly defined goal may be a more effective public diplomacy technique than either monologue or dialogue (Cowan & Arsenault, 2008).
Cull (2008, 2009) identifies several components of public diplomacy such as listening, advocacy, cultural diplomacy, exchange, international broadcasting, and psychological warfare as a parallel activity that shares some key features of public diplomacy.

“Listening” is conducted by collecting data about publics and their opinions overseas and using that data to redirect policy or public diplomacy approach accordingly. Advocacy in public diplomacy is defined as an international communication activity to actively promote a particular policy, idea or that actor’s general interests in the minds of a foreign public. Cultural diplomacy is an actor’s attempt to manage the international environment through making its cultural resources and achievements known overseas and/or facilitating cultural transmission abroad. Exchange diplomacy is sending its citizens overseas and reciprocally accepting citizens from overseas for a period of study and/or acculturation. International Broadcasting is an actor’s attempt to manage the international environment by using the technologies of radio, television, and the Internet to engage with foreign publics (Cull, 2008, 2009). Cull (2008) states while various states have emphasized a particular element of public diplomacy in their approach, the ideal structure should balance all (Cull, 2008).

Zaharna (2008) identifies two major spectrums among the initiatives of public diplomacy such as information and relationship building frameworks. Propaganda, nation branding, media relations, international broadcasting, and information campaigns are the types of information distribution initiatives (Zaharna, 2008).

Relationship building approach includes cultural and educational exchanges, leadership visits, the establishment of cultural and language institutes, development aid projects, establishing partnership between cities (twinning arrangements),
relationship building campaigns, and political (coalition building) and non-political networking schemes (Zaharna, 2008). They tend toward coordination rather than control. Mutuality and trust-building are important concepts within this framework. The publics are viewed as active participants (Zaharna, 2008).

Evans and Stevens (2008) suggest the theory of influence for contemporary international relations, with the new public diplomacy at its heart. According to them, public diplomacy is about building shared awareness, shared platform and shared vision. Evans and Stevens (2008) propose a typology of generic influencing strategies, which includes: engagement strategies, shaping strategy (a deliberate attempt to ‘reframe’ the debate), and disruptive strategies (when a consensus has been reached on an issue but a government finds this consensus opposed to its interests, destructive strategies (deployed against declared adversaries).

Zhang and Chinn Swartz (2009) distinguish between such dimensions of public diplomacy as image cultivation, promotion of mutual understanding, advocacy of national interests, and public diplomacy for global public goods (GPG). These initiatives are not directly related to the image of the international actor, but constitute the promotion of an idea that the actor considers an important element in international relations, such as international cooperation on global warming, pandemics, international financial stability, peace and security, and humanitarian rights (Zhang & Chinn Swartz, 2009). This dimension of public diplomacy involves facilitating global cooperation, creating and building agendas, promoting mutual understanding, and engaging non-governmental actors and international organizations.

**Public Diplomacy as Image Enhancement & Nation Branding**

Despite the growing popularity of public diplomacy for global public goods, most of the studies are concerned with the use of public diplomacy for image
management and reputation enhancement. The concept of image enhancement in public diplomacy overlaps the idea of nation branding.

Globalization and revolution in the communications, according to van Ham (2001), “made each state more aware of itself, its image, its reputation, and its attitude, or its brand”. van Ham (2002) argues that nation branding “implies a shift in political paradigms from the modern world of geopolitics and power to the postmodern world of images and influence.”

Public diplomacy and branding are similar in certain areas but very different in others. Similarities include image and symbols management, relationship building, and extensive use of the mass media. The differences include goals or outcomes: increased sales versus foreign policy, means, types of communication as well as management, language, and culture (Gilboa, 2008). Public diplomacy lacks the internal identity-shaping functions of place branding (van Ham, 2008).

Anholt (2007, 2008) proposes the concept of ‘competitive identity’ for a country’s international communication activities, which derives from the concept of nation branding. It describes a plan for mobilizing strategies, activities, investments, innovations and communications of as many national sectors as possible, both public and private, “in a concerted drive to prove to the world that the nation deserves a different, broader and more positive image” (Anholt, 2007, 2008).

Countries must either take some control over their good name or allow it to be controlled by public opinion and public ignorance; governments must either learn to value and cherish this precious asset of international reputation, or find that every action they perform is interpreted according to whatever negative attribute is currently ascribed to their nation (Anholt, 2008).
A national image can be defined as the cognitive representation that a person holds about a given country – a person’s belief about a nation and its people (Kunzcik, 2009). According to Boulding (1956), the conception of an image involves not only present image but also aspects of its past as well as future expectations. Boulding (1969) defined image as “total cognitive, affective, and evaluative structure of the behavior unit, or its internal view of itself and the universe”.

Another concept relating to nation image building and branding is national reputation. Many scholars have studied country reputation in terms of strategic public diplomacy (e.g., Kruckeberg & Vujnovic, 2005), and nation branding (Anholt, 2002, 2007; Kotler & Gertner, 2002).

National reputation, rooted in international public opinion, signifies the presence or absence of international legitimacy accrued to a certain nation (Tucker & Hendrickson, 2004). Managing national reputation and nation-states’ relationship with stakeholders overseas has been an integral part of foreign-policy making and public diplomacy (Wang, 2006). National reputation also reflects and affects the country's standing in the global arena. For instance, a nation's reputational capital may affect the country's ability to build coalitions and alliances to achieve international political objectives, to influence perceptions and purchase decisions regarding products from certain countries of origin, to attract foreign investment or in-bound tourism (Wang, 2006).

Wang (2006) emphasizes that managing national reputation is not just about projecting a certain national image but rather negotiating of understanding with foreign publics. Such communicative acts are based on a precise definition of one's audience and a measured understanding of them. He also suggests it is important that
a better understanding of the audiences should be developed not only at the rational but also at the emotional level (Wang, 2006).

**Public Diplomacy & Source Credibility**

When nations engage in any dimension of public diplomacy, they need to have a sound character and source credibility. Without source credibility, no amount of communication and information will ever be effective and, worse, could even be counterproductive (Wang, 2006). When the world publics question the source credibility of the rhetors, public diplomacy initiatives would become ineffective, if not futile (Zhang & Chinn Swartz, 2009).

Politics has become a contest of competitive credibility (Nye, 2008). Governments compete for credibility not only with other governments but also with a broad range of alternatives including news media, corporations, nongovernmental organizations (NGOs), intergovernmental organizations, and networks of scientific communities (Nye, 2008).

A nation’s credibility is virtually synonymous with its ‘brand image’. So even countries such as Britain, which promotes the new type of public diplomacy for global public goods, “will still find that they are severely hampered in their aims without the support of an international reputation that is as strong, true, fair and positive as it can be” (Anholt, 2008).

While government is still the driving force behind public diplomacy, their credibility and efficacy, as the primary communicator, is now often suspected, because people tend to perceive communication by a foreign government as political propaganda (Wang, 2006). Sensitive messages to foreign publics are often best disseminated not by governments but by people who have something in common with the target audience (Leonard, 2002). So, if a state wants influence events outside its
direct control, it must work through organizations and networks that are separate from and independent of governments themselves. Three of the most effective mediums for this type of public diplomacy are NGOs, diasporas, and political parties (Leonard, 2002).

The public dimension of diplomacy is increasingly including an active, rather than a passive, public, as smaller groups and NGOs (Vickers, 2004). Challenged by evermore complex, multifaceted agendas, there is a necessity to establish policy networks of varying scope and compositions, bring together governmental actors, civil society organizations and business (Hocking, 2005). Networks are described to be indispensable in managing increasingly complex policy environments through the promotion of communication and trust (Hocking, 2005). Public diplomacy is defined by Castells (2008) as networked communication and shared meaning, which becomes a decisive tool for the attainment of a sustainable world order.

**Public Diplomacy & International Public Relations**

Public diplomacy understood as building relationships with foreign publics overlaps with the concept of international public relations. Many researchers consider the similarities between these types of communication activity. Thus, Signitzer and Coombs (1992) state that public diplomacy and public relations have conceptual convergences, seek similar objectives and use similar tools. They also suggest that ideas and concepts could be transferred from one area to the other, emphasizing that public diplomacy lacks the tools necessary to affect change in foreign publics (Friberg, 1989 as cited in Signitzer & Coombs, 1992). They tried to apply Grunig’s PR models to the practices of public diplomacy, but there still has not been any substantial investigation into the mass communication theories behind them (Gilboa, 2008).
According to Grunig (1993), the field of public diplomacy for a public relations scholar consists of the application of public relations to strategic relationships of organizations with international publics. Modern governments and other international organizations thus find themselves using public relations strategies as they conduct what political scientists have called public diplomacy (Grunig, 1993). He identifies several models of international public relations such as press agentry, public information, two-way asymmetrical and two-way symmetrical, personal influence and interpersonal relations models (Grunig, 1993).

Kruckeberg and Vujnovic (2005) suggest that the concept of public diplomacy should rely on theories and models of public relations that are based on two-way symmetrical communication and community building.

Signitzer and Wamser (2006) identify similarities between public relations and public diplomacy. They conclude that they are both strategic communication processes that manage communication, relationships, and consequences among organizations and their publics; and that both perform research, advocacy, dialog, and counseling.

Nye (2008), though, argues that public diplomacy is not merely public relations campaigns. Conveying information and selling a positive image is part of it, but public diplomacy also involves building long-term relationships that create an enabling environment for government policies (Nye, 2008).

Dyke and Vercic (2009) propose the conceptual convergence model of public diplomacy and public relations that would comprise the area of strategic communication. It bears witness to the process of communication management in international relations, on both sides of the public relations and public diplomacy spectrum (Dyke & Vercic, 2009). Strategic communication’s coordinated approach to
communication management synchronizes various forms of international and domestic information activities with other elements of national power (Dyke & Vercic, 2009).

According to Kunczik (2009) international public relations often refer to the issue of image cultivation by nations. Public relations for the nation-state comprise persuasive communicative acts directed at foreign audience and closely connected to the mediation of foreign policy (Kunczik, 2009).

The main objective of international public relations is to establish or maintain existing positive images of one’s own nation or to appear trustworthy. In the field of international policy, trust is an important factor in mobilizing resources such as receiving political or material support from other nations (Kunczik, 2009).

He also summarizes the tactics used in international public relations (Kunczik, 2009): 1) staging “pseudo events” that are directed at gaining attention or creating a certain impression: visits by heads of states, the release of political prisoners, establishment of information offices, sporting events; 2) tactic of withdrawal: the image of the country that makes negative headlines and also has a negative image in public opinion cannot be changed by the sudden appearance of positive reporting because this would be perceived as incredible (Manheim & Albritton, 1984).

Yun (2006) tested the applicability of the Excellence Study (L. A. Grunig, J. E. Grunig, & Dozier, 2002) to developing the study of public diplomacy to respond to Signitzer and Coombs’s (1992) call for empirical research aimed at finding public relations theories that can be transferred to public diplomacy. Yun (2006) suggests the conceptual frameworks for public relations behavior and excellence in public relations in the Excellence Study is applicable to the underdeveloped conceptions of public diplomacy.
Public Diplomacy & Mass Media

There are two major channels of communication or frameworks of individual experience in public diplomacy:

1. Personal experience: personal experience from business or travel; personal use of products or service; personal participation in cultural events; and meeting international publics personally.

2. Second-hand experience: second-hand experience as word-of-mouth communications and information received from other communication channels including mass media (Yang, Shin, Lee, & Wrigley, 2008).

The second one of them is of great importance in the international communication system. According to Lippmann (1922), people form a picture of the world that is beyond their physical reach through the mass media. Galtun and Ruge (1965) note the image of the world is not shaped by the news media alone - personal impressions and contacts, professional relations abroad, diplomatic dispatches, etc., count too. But the regularity, ubiquity and perseverance of news media will in any case make them first-rate competitors for the number-one position as international image-former (Galtun & Ruge, 1965).

According to Kunzcik (1997), “the mass media influence the way one country's people form their images of the people and governments of other countries, because it is the mass media that disseminate the greater part of the information about foreign countries”.

The mass media are instrumental in creating, perpetuating and modifying images of foreign nations and international leaders for the public (Zhang & Cameron, 2003). International media relations help shape images of nations and affect the
public’s perceptions of the countries, which may eventually impact foreign policy formation (Zhang, 2003).

Manheim (1994) suggests that the manipulation of the news in foreign affairs is more likely to have an effect than in the domestic sphere because of the following reasons: 1) the public is unlikely to have any direct experience related to issues in foreign policy, 2) the media are limited to devote their resources to covering news of foreign affairs, 3) even public officials sometimes depend on news to form general media impressions of countries.

Castells (2008) argues that people make up their minds on the issues that affect their lives, as well as the future of humankind, from the messages and debates that take place in the public sphere. The contemporary global public sphere is largely dependent on the global/local communication media system. The global public sphere is built around the media communication system and Internet networks, particularly in the social spaces of the Web 2.0, and the growing blogosphere (Castells, 2008).

**Mediated Public Diplomacy & Agenda- Building & Framing**

Entman (2008) proposes the concept of mediated public diplomacy, which differs from public or media diplomacy introduced by Gilboa (2000, 2001, 2002). It involves shorter term and more targeted efforts using mass communication (including the internet) to increase support of a country’s specific foreign policies among audiences beyond that country’s borders (Entman, 2008). Mediated public diplomacy is defined as an organized attempt by the head of state and his foreign policy apparatus to exert as much control as possible over the framing of the country’s foreign policy in foreign media (Entman, 2008).

Sheafer and Gabay (2009) describe media arena as a complex platform that includes the antagonists, foreign governments, and the media (Sheafer & Gabay,
The attempt by national actors to influence the media in foreign countries is the initial step in a mediated public diplomacy process and involves dominating agenda building and frame building (Sheafer & Gabay, 2009). They examine these two strategic processes in two mediated events as Israel’s disengagement from Gaza and the general election in the Palestinian authority, and analyze how actors promoted their agenda and frames in the U.S and British news media, including their advantage issues.

**International Agenda – Setting and Agenda – Building**

“Agenda - setting” theory assumes that issues/problems/ideas receiving the most attention in the media will be perceived by the public as the most important. So, there is a link between media attention to a personality/idea/event and public opinion about them (McCombs, 2004). The second-level agenda – setting theory suggests that media also influence people’s understanding of the content.

The agenda-building approach argues that the media content is not shaped within the newsroom as much it is shaped by the sources that provide the information to the newsroom. To the extent that the public relations information subsidies are placed in news media, they have the potential to influence the media agenda, and by this, the public agenda (Zhang, 2003).

According to Livingstone (1992), agenda – setting in international communications is the process of raising issues to salience among the relevant community of actors. International agenda – setting is similarly embedded in the practices of international relations, allowing for the relative lack of formalization and “fuzziness” of these practices (Livingstone, 1992).

International practices structure international politics by creating sites, or positions from which actors can construct issues that other find compelling
Mansbach and Vasquez (1981) called them “access routes”. These access routes determine what resources are necessary to get an issue on the agenda” (Mansbach & Vasquez, 1981). They suggest that high status actors have direct access to the agenda whereas weaker actors must use international organizations or transnational groups or engage in disruptive behaviors.

The possession of relevant material resources allows for an “outside” strategy of agenda-setting. An actor may attempt agenda change via the manipulation of its resources, directly altering international practices to produce new, employable agenda access points (Livingstone, 1992). The alternative “inside” strategy involves direct exploitation of existing agenda access points (Livingstone, 1992). A final mode of agenda – setting occurs as a result of unintended systematic changes. These alter actor capabilities, actor preferences, or agenda access sites directly (Livingstone, 1992).

**International Media Relations: Foreign News Selection**

Since the struggle for media attention represents the first strategic process of mediated public diplomacy, it is important to take into consideration the extensive amount of literature on international communication that is devoted to the international news flow and the factors that determine the choice of certain international stories.

International news is selected by criteria similar to those used for national news or local news. Higher ranking or geographically or culturally close states are most likely to be reported by the media of a country. Economic alliances and ideological relations also generate more intensive coverage of another country. Regionalism is pronounced in all media systems. Negativism was reported as an important factor dominating the coverage of developing countries by the media of developed nations (Kunzeik, 2009).
Galtun and Ruge (1965) identified and tested correlation between several factors that influenced foreign news structures such as geographical and cultural distance, frequency, ambiguity, consonance of the event, negativism, the rank of the nation, personality.

Chang, Shoemaker, and Brendlinger (1987) investigated predictive variables that may influence how the U.S. news media selected international events to cover. Significant predictors included normative deviance of an event, relevance to the U.S., potential for social changes, and geographic distance. Poor determinants were language affinity, press freedom, and economic system.

Based on Wallerstein’s theory of world system, Chang (1998) developed a model of international information flow. Chang (1998) considered three echelons of world power – core, semiperiphery and periphery. The model suggests that the core nations in the world system dominate world media outlets and are deemed more newsworthy in international news than the rest of the world.

Scholars explored several categories of news determinants such as organizational, context-oriented and event-oriented. Organizational approach states that factors internal to organization/news institution influence the nature of media coverage (Chang & Lee, 2009). The context-oriented approach (Galtung and Ruge, 1965; Herster, 1971; Rosengren, 1974; Chang et al, 1987; Wu, 2000) considers the interactive relationship of the foreign nation where events occurred with such contextual elements as economic relations, political affiliation, and geographic proximity, and press freedom (Chang, Lee, 2009). The event-oriented approach (Chang et al, 1987) suggests that regardless of any external contextual factors, some internal characteristics inherent in global events, such their negative nature, can determine whether such events are covered.
In addition to traditional newsworthiness predictors, public relations activities should be considered as a significant factor to affect international news coverage (Lee, 2007).

**Framing**

Framing in the media arena refers to “a central organized idea for news content that supplies context and suggests what the issue is through the use of selection, emphasis, exclusion and elaboration” (Tankard, Hendrickson, Silberman, Bliss, & Ghanem, 1991). It can also be defined as the creation of organizing principles through which the public interpret social reality (Reese, 2001).

Entman (1993) summarizes that framing is essentially about selection and salience. Frames define problems, diagnose causes, make moral judgments, and suggest remedies (Entman, 1993). Framing involves processes of inclusion and exclusion as well as emphasis (Hallahan, 1999).

Hallahan (1999) describes such types of framing as valence framing, semantic framing and story framing. Valence framing means putting information in either a positive or negative light. Other frames involve the simple alternative phrasing of terms, or semantic framing. The most complex form of framing is storytelling, or story framing. Story framing involves (a) selecting key themes or ideas that are the focus of the message and (b) incorporating a variety of storytelling or narrative techniques that support that theme (Hallahan, 1999).

Hyun (2004) classifies frames into deep frames, working frames, news frames, and individual (audience) frames. Deep frames represent deep-rooted beliefs systems or culture. Culture can be defined as the stock of commonly invoked frames (Entman, 1993).
The seven models of framing involve the framing of situations, attributes, choices, actions, issues, responsibility, and news (Hallahan, 1999).

Gamson described the efforts of media sources to frame information as frame enterprise and referred to sources themselves as frame sponsors (Gamson, 1989). Frame building is a communication process from message sponsors to structure meaning. Media framing deals with how journalists choose certain viewpoints from news sources to provide meaning (Kalyango Jr., 2009).

In accordance with Hallahan (1999), in developing their programs, public relations professionals fundamentally operate as frame strategists, who strive to determine how situations, attributes, choices, actions, issues and responsibility should be posed to achieve favorable objectives.

Because not all sources frame a story in the same way, public relations professionals often find themselves engaged in frame contests with other sources that are also seeking their favored treatment of a story (Gamson, 1989).

The strategic framing contests that occupy the heart of the political process take place in the first instance over the agenda (Entman, 2007). The second or “attribute” level of agenda setting centrally involves three types of claims that happen to encompass the core business of strategic framing: to highlight the causes of problems, to encourage moral judgments (and associated affective responses), and to promote favored policies (Entman, 1993, 1994, 2007).

The mass media is only one of the actors in the framing process, politicians, policy makers, elites, interest groups, and foreign leaders all try to win public support of their framing (Gilboa, 2008). One of the framing theories that could be applied to public diplomacy and by this could enhance its practice is Entman’s (2004) cascading activation model that connects policy, media and public opinion. His model explains
“framing fighting”, in which several actors, including politicians, elites and media, are involved in a battle to shape frames and to influence the formation of public opinion through the media. The model states that some actors have more power than others “to sell frames” to the public and, therefore, could help identify who and how affects international communication and foreign policy.

Entman (2008) extends his cascading network activation model, developed to explain the spread and dominance of different framings of U.S. foreign policy in the American media, to the international communication process. He proposes a model of how messages from the United States activate and spread through other political communication systems, with a central goal to understand the conditions under which foreign support for American foreign policies can be stimulated by U.S. public diplomacy initiatives that employ mediated communication (Entman, 2008).

**International Framing Factors**

Entman (1993) identified five aspects that influence international news framing: its importance, the responsible parties, potential victims, assessment of the event, and whether this incident should be generalized to a broader national context.

The literature strongly suggests that the media are often expected to frame international news in a patriotic framework in an effort to meet the people’s and the government’s expectations – especially when the lives of citizens are at stake (Fahmi, 2009).

Scheufele (1999) adopted Shoemaker and Reese’s (1996) hierarchy of influence and identified five factors that affect media frames such as social norms and values, organizational pressures and constraints, pressures of interest groups, journalistic routines, and the individual journalist’s ideological or political orientations.
Semetko et al (2000) developed four news frames to examine news coverage of international affairs: economic consequences, responsibility, human interest, and conflict.

Entman (2008) states the success of mediated public diplomacy depends on political cultural congruency between the country and the targeted nation, as well as on the strategy, power, and motivations of foreign elites to promote positive news of the country in their own media.

Sheafer and Gabay (2009) identified two major sets of factors that determine international media attention. The first factor is political-cultural values through which the importance of events, issues, and actors is judged. Some of the factors that fall into this category are the cultural and political distance between nations, the political and economic status of a country, and the magnitude of economic interaction between the countries (Chang, 1998; Chang, Shoemaker, & Brendlinger, 1987; Entman, 2008; Sheafer & Gabay, 2009). The second category is the media’s professional values and needs, which originate in the needs of media organizations and their employees’ values including their tastes for “good stories” that include drama, conflict, novelty, unexpectedness, colorful events, and personalities (Sheafer & Gabay, 2009).

**International Media Relations Effectiveness**

Some studies examined the effectiveness of media relations on behalf of foreign nations.

Manheim and Albritton conducted a series of studies to investigate PR campaigns by various national governments and their coverage in the media, and to explore the impact of such campaigns on foreign public opinion (Manheim & Albritton, 1984; Manheim & Albritton, 1985; Manheim, 1994). They suggested that
the objective for an international PR campaign for a negatively covered client should first aim to reduce visibility of the country instead of launching a massive campaign right away. It may facilitate later efforts by improving the valence component of the country’s image.

Zhang and Cameron (2003) used content analysis to assess the impact of an international public relations campaign launched by the Chinese government in the United States.

Zhang and Benoit’s (2004) study applied Benoit’s (1995) image restoration theory to the analysis of the message strategies that the Saudi government employed in restoring its image in the U.S. after 9/11.

Kiousis and Wu (2008) explored the influence of international public relations campaigns of 25 nations on U.S. news media and public perceptions of foreign nations. The study used a triangulation of methods by comparing public relations counsel for foreign nations, media content, and public opinion data in 1998 and 2002.

In general, public relations counsel was associated with a decrease in the amount of negative news coverage. At the level of individual news stories, it was connected to increased positive valence in media content.

Public Diplomacy & Attracting Foreign Direct Investment

One of the goals of the country’s public diplomacy efforts is attracting foreign investment. Investment is defined as expenditure for purposes other than immediate consumption (Fischer, 2000). One of the forms of foreign investment is foreign direct investment (FDI), which enables an enterprise to effectively control the management of a legal entity located in a foreign country (Fischer, 2000).

The main types of FDI are greenfield investments (maximum control of the enterprise), transplants (assembly locations for exporting to other areas), strategic
alliances and joint ventures, mergers and acquisitions of an existing company (Fischer, 2000). Fischer (2000) also differentiates between different types of FDI by investment motivations including resource-seeking FDI, cost–minimizing FDI, and market–driven FDI.

Foreign investors bring to the country new business practices, technology innovations and capital flow. According to Fischer (2000), FDI can supplement and activate other forms of finance and offers multiple advantages over local and international donor funding.

FDI combines capital inflow with skill transfer, managerial input and mutually beneficial exchange of know-how (Fischer, 2000). Its multiplier effect can launch a virtuous investment cycle. It could bring more competition and lead to the development of small–size and medium–size enterprises (Fischer, 2000). It promotes productive investments in tangible assets (machinery, equipment, process technologies) as opposed to portfolio investments in financial markets, which can be withdrawn quickly in case of an economic downturn (Fischer, 2000). FDI stimulates industrial development and export growth through its contribution to economic transformation, modernization and job creation (Fischer, 2000). FDI also reduces dependence on international donor bureaucracies such as IMF, World Bank and UN (Fischer, 2000).

The success of the country’s FDI policy is determined by progress made in the country’s macro-systems: the legal system, socioeconomic system, political system, financial system, education system, cultural system, and administrative system. They must be supplemented by:

• Special incentives for FDI in designed industries and regions
• Creation of special development zones to promote particular regions or technologies
• Establishment of an investor information system
• Promotion and image building campaigns
• Advisory services
• Financial engineering and
• Creation of the FDI agency, which serves the regions (Fischer, 2000).

Kotler, Jatusripitak and Maesince (1997) outlined four attributes of a country’s investment attractiveness such as its comparative and competitive advantages; its domestics and political stability; property rights protection; and foreign trade zones.

The authors defined the country’s comparative and competitive advantages in terms of Porter’s (1990) attributes: factor conditions (natural resources, location, skilled and unskilled labor, and basic infrastructure), demand conditions (home demand for the industry’s product or service), related and supporting industries, firm strategy, structure and rivalry (the intensity of domestic rivalry).

According to Fischer (2000), Russia offers to foreign investors:
• A large pool of highly trained specialists and an excellent educational system
• Abundance of raw materials
• Better physical infrastructure
• A large consumer population
• Cultural affinity with other European and North American countries
• Geographic proximity to both European and Asian investors
• A base for expanding operations into the new CIS markets.

“Domestic economic and political stability” are divided into two groups such as asset protection/investment recovery risk (direct action by the government or
people to destroy, expropriate or limit transfer of invested resources) and operational profitability/cash-flow risk (arises from economic downturns, strikes, currency devaluation, etc.) (Kotler, Jatusripitak and Maesince, 1997).

To be attractive for foreign investors, the country should also have property protection legislation. Special economic zones involve policies favorable for foreign investment. In order to be efficient, incentives (like tax holidays) should be supported by political stability and good infrastructure (Kotler, Jatusripitak and Maesince, 1997).

According to Gaster (1992), if a nation accepts FDI as beneficial for its development, it should establish FDI policies that meet two main objectives, such as developing a sound FDI strategy that would seek to attract foreign investment, thus adding capital inflow into the nation, as well as directing those investment flows in such a way to maximize the long-term benefit of the host nation’s economy.

Shastitko, Plaksin, and Yakovleva (2007) differentiate between the concepts of investment climate and investment image. Investment climate is a set of objective factors for investment (natural, human resources, political and economic factors). Investment image is the perception of the investment climate in the minds of investors (Shastitko, Plaksin, and Yakovleva, 2007).

Kotler, Jatusripitak and Maesince (1997) identified three major elements of a country’s FDI strategy. They are the “product”, price”, and “promotion.” The product is described as “the intrinsic advantages and disadvantages of investing in the country, ranging from the country’s general attractiveness to a specific investment site’s attractiveness. The “price” is defined as “tax incentives, capital and training grants, tariff protection, and similar price mechanisms. The “promotion” includes “activities
that disseminate information about, or attempt to create a favorable image of, the investment site” (Kotler, Jatusripitak and Maesince, 1997).

Promotion process used by the states is one of the key controllable factors that influence the success of the states in attracting FDI (Schuster, Samli, and Bodkin, 1987). Schuster, Samli and Bodkin (1987) developed a model for marketing a region internationally. Tesar (1987) developed a Composite Strategy for Attracting Reverse Foreign Investment.

Kotler, Jatusripitak and Maesince (1997) identified three objectives that should be accomplished through investment promotion: to promote the country’s image within the investment community as a favorable location for investment, to generate specific investments, and to provide services to prospective and current investors. According to the authors, image building is the effective strategy aimed to attract investors that are in early stages of decision-making. Tactics for this strategy include advertising in general financial media, participating in trade and investment exhibitions, advertising in industry- or sector-specific media, conducting general investment missions from a source country to a host country or from a host country to a source country, and conducting general information seminars on investment opportunities.

Recommended information products for this strategy are: general publications on the state of the economy, sectoral reports, reports on regions, information on potential investment projects, approval processes, incentives and legal conditions (Fischer, 2000).

Kinosha and Moody (2001) though emphasized the importance of private information. A firm's investment decisions are positively correlated to its own previous investment in the country and with current / planned investments by
competitors. Investment by competitors comes less important when the firm already has experience in the market (Kinosha & Moody, 2001).

Generating specific investments objective is more suitable for the later stages of investment promotion. The appropriate promotion techniques for the investment generation strategy include direct-mail or telemarketing campaigns, conducting industry- or sector-specific investment missions from a host country to a source country and vice versa, organizing industry- or sector-specific information seminars, conducting a firm-specific research, establishing personal contact with the company and giving investment presentations. The third objective for investment promotion includes providing investment counseling services and post-investment services, processing of applications and permits (Kotler, Jatusripitak and Maesince, 1997).

**Research Questions**

Based on the literature review the following research questions were formulated for the current study:

1. Who are the major players in Russia’s public diplomacy aimed to attract U.S. investors?
2. What public diplomacy activities and strategies does the Russian government employ to attract U.S. investors?
3. How do the U.S. media cover Russian public diplomacy efforts aimed at attracting foreign investors and the country as an investment destination (number of media mentions, favorableness of media coverage, scope of mention, regions mentioned, top newsmakers, investment factors mentioned and key messages communicated)?
4. How effective are Russian public diplomacy forces’ media relations efforts aimed to improve Russia’s image as an investment destination.
CHAPTER III
METHODOLOGY

Method 1: Case Study

The main method used in the work is an exploratory case study of Russia’s public diplomacy efforts aimed to establish a positive investment image of Russia among the U.S. investors and to attract U.S. investment in January – December 2010. This period is marked with the increase in investment promotion activity of the Russian government and other interested parties.

Case study is “an empirical enquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident” (Yin, 2009).

This work utilizes a multiple case study with multiple embedded units of analysis approach (Yin, 2009). Each case is analyzed separately, and the results of each case study contribute to the overall conclusions.

Purpose

The purpose of this case study is to explore strategies (coalition building, audience participation, media relations, third-party endorsements, etc.) and tactics (official visits, speeches, press releases, press conferences, byline articles, etc.) used by the Russian government and partnering organizations (U.S.-Russia Business Council, American Chamber of Commerce in Russia and the American Association of Russian – speaking professionals, etc.) within the realm of their public diplomacy
efforts to attract U.S. direct investment. It also aims to identify leading spokespeople and key messages communicated as well as which foreign investment decision-making factors are emphasized in those messages: political stability, favorable business environment (market potential, anti-corruption measures, infrastructure development, lack of administrative barriers), investment policies (taxation, immigration policy, custom policies, special economic zones), human resources (innovative, well-educated, mobile, affordable), and security. The factors were selected on the basis of literature review on foreign direct investment that included the works of Fischer (2000), Kotler, Jatusripitak and Maesince (1997), and Nathan (1996). The analysis also considers Russian regions in which investment opportunities are being promoted.

**Case Studies & Units of Analysis**


Other public diplomacy activities considered in the study include:

- Economic / investment forums (Sochi Investment Forum, VTB “Russia Calling” Investment Forum, American Chamber of Commerce in Russia Annual Investment Conference, and the U.S. – Russia Business Council Annual Meeting)
- Meetings of the Foreign Investment Advisory Council
- Presentations by Russian regions’ representatives
- Road shows of Russian government representatives in the U.S.
- Trips of foreign investors to Russia
• ModernRussia.com website

• Events impacting the investment climate: Sochi 2014, World Cup 2018.

Units of analysis include statements, speeches, press releases, transcripts, broadcasts (when available), third-party endorsements of Russia’s investment climate by current investors, analysts and public officials. They were identified through the literature as evaluative methods for investigating each of the factors indicated.

The case studies were selected based on the websites of the following organizations and initiatives:

• Department of Investment Policy and the Development of Business-Government Partnerships of the Ministry of Economic Development of Russian Federation

• American Chamber of Commerce in Russia

• U.S.-Russia Business Council

• Foreign Investment Advisory Council

• Russia Forum

• American Business Association of Russian-speaking Professionals

• St. Petersburg Economic Forum

• Sochi Investment Forum

• VTB “Russia Calling” Investment Forum

• Russian business publications: Kommersant Daily and Vedomosti.

Search on Kommersant Daily and Vedomosti newspaper websites was based on key words “иностранные инвестиции” (“foreign investment”), “инвестиционный климат России” (“investment climate of Russia”), and “инвестиционный имидж России” (“investment image of Russia”).
The effectiveness of Russia’s public diplomacy strategies to attract U.S. investment was evaluated with Russia’s media coverage by U.S. media. Although media is only one of many factors having impact on foreign investors’ decision – making on investment allocations, it adds salience to a country’s profile and forms a general perception of a country in investors’ minds. It often precedes an investor’s decision to obtain more information on the country and to get a first-hand experience.

**Method 2: Content Analysis**

A method used for the analysis of Russia’s public diplomacy activities aimed at attracting U.S. investors is content analysis. Content analysis is “a systematic, objective, and qualitative method for researching messages” (Stacks, 2002). The current research utilizes a combination of qualitative and quantitative content analysis. Frames for key messages are not pre-established, and they emerge during the investigation.

Qualitative content analysis is “a research method for the subjective interpretation of the content of text data through the systematic classification process of coding and identifying themes or patterns” (Hsieh and Shannon, 2005). It goes “beyond merely counting words or extracting objective content from texts (quantitative content analysis) to examine meanings, themes and patterns that may be manifest or latent in a particular text” (Zhang and Wildemuth, 2009). It involves a process of “condensing raw data into categories or themes based on valid inference and interpretation” (Zhang and Wildemuth, 2009).

Articles for content analysis are obtained through Lexis-Nexis database and Google search engine as well as the websites of the major U.S. financial and general media:

1. Bloomberg Businessweek
2. CNBC
3. CNN
6. Forbes
7. Fortune
8. Investor’s Business Daily
9. Los Angeles Times
10. New York Times
11. Newsweek
12. Reuters
13. SeekingAlpha.com
14. Time
15. VentureBeat
16. Wall Street Journal


The favorableness of coverage was evaluated as positive, negative, balanced (mixed), and neutral. Positive stories were those emphasizing Russia as an attractive investment destination. Negative stories reflected Russia’s weaknesses as an
investment destination. Neutral stories did not have salient evaluative references. Mixed (balanced) stories reflected both strengths and weaknesses of Russia for foreign investors.

Factors important for foreign investor decision – making (political environment, business climate, investment policies, human resources, and security) were selected based on the works of Fischer (2000), Kotler, Jatusripitak and Maesince (1997), Nathan (1996), and the survey of multinationals on the most critical location decision factors conducted by the Multilateral Investment Guarantee Agency and Deloitte & Touche (2002). The lists of newsmakers and frames for key messages are not pre-established, and they emerge during the investigation.

Codesheet for the Analysis of U.S. Media Coverage of Russia’s Public Diplomacy Activities.

1. Public Diplomacy Activity Title
2. Date
3. Media Outlet
4. Scope of Mention: brief mention (1) / news article (2) / feature story (3) / opinion piece (4) / interview (5) / editorial (6)
5. Favorableness of the Coverage: positive (1)/ negative (2)/ neutral (3)/ mixed (4)
6. Newsmakers Quoted
7. Russian Regions Mentioned
8. Framing – Key Messages Communicated
9. Coverage of Factors important for Foreign Investors' Decision – making (all that apply):
   - Political Climate:
- Political Environment: stable (1) / unstable (2)

- Political Risks:
  - Political Violence: high (1)/ low (2)
  - Risk of Expropriation (nationalization): high (1)/ low (2)
  - Risk of Breach of Contract (government policy changes that affect income streams and profitability): high (1) /low (2)
  - Transfers Risk (restricting capital flows): high (1)/ low (2)

- Well-functioning legislature: yes (1)/ no (2)

• Business Climate:
  - Market potential: high (1)/ low (2)/ moderate (3)/ controversial (4)
  - Corruption: high – increasing (1)/ high – decreasing (2)/ high – static (3)/ normal (4)/ low (5)
  - Infrastructure: well-developed (1)/ not very good but improving (2)/ run-down (3)
  - Bureaucracy/administrative barriers: high (1)/ low (2)/ moderate (3)

• Investment policies:
  - Taxation: favorable (1)/ unfavorable (2)/ unfavorable but improving (3)/ unfavorable and getting worse (4)
  - Immigration policy: favorable (1)/ unfavorable (2)/ unfavorable but improving (3)/ unfavorable and getting worse (4)
  - Custom tariffs: favorable (1)/ unfavorable (2)/ unfavorable but improving (3)/ unfavorable and getting worse (4)
  - Special Economic Zones: effective (1)/ uneffective (2)
  - Restrictions on foreign business activity: yes (1)/ no (2)

What kind of restrictions: ___
• Human resources:
  - Innovative: yes (1)/ no (2)
  - Well-educated: yes (1)/ no (2)
  - Mobile: yes (1)/ no (2)
  - Affordable: yes (1)/ no (2)

• Safety: safe (1)/ unsafe (2)

The final step of the research is to compare Russia's public diplomacy efforts with the coverage they receive in the U.S. media:

• Amount of coverage of different public diplomacy activities

• Russian spokespeople vs. newsmakers in U.S. media.

• Key messages communicated by Russian public diplomacy forces vs. key messages distributed by the U.S. media.

• Foreign investment decision making factors presented by the Russian side vs. factors mentioned in the U.S. media.

• Russian regions presented in Russia's public diplomacy efforts vs. Russian regions mentioned in the U.S. media.
CHAPTER IV
CASE STUDIES

**Case Study 1: Russia Forum 2010**

**Background**

Organized by one of the leading Russian firms Troika Dialog annually since 2008, the Russia Forum brings together the representatives of Russian and international companies, investors, state officials and prominent researchers. In 2010, the forum was held in Moscow on February 3rd – 5th. The Russia Forum is positioned as one of the major Russia-focused investors’ conferences.

According to Troika Dialog Managing Director Igor Sharonov, the Russia Forum participants are primarily investors who already “buy Russia” and for whom it is “fundamentally important to understand the weather” in the country. He described the Russia Forum as a specialized professional forum that is aimed at attracting investors to Russia (The Russia Forum, 2010). It also gives participants an opportunity to interact with Russian decision makers. In 2010, investors had a chance to meet such Russian officials as First Deputy Prime Minister Igor Shuvalov and Finance Minister Alexei Kudrin.

Total, there were 1,802 participants in the Russia Forum 2010. Among them there were 1,432 delegates: 949 participants from Russia and 483 foreign delegates from 50 countries including the United States. According to the Russia Forum
organizers, 377 journalists from 106 mass media attended the event (The Russia Forum, 2010).

**Case Study Objectives**

The current case study aims to help answering the research question of the work. Therefore, the objectives of the Russia Forum 2010 case study are:

1. To identify the major players of Russia’s public diplomacy aimed at attracting U.S. investment
2. To describe the specifics of the public diplomacy event (the Russia Forum 2010): major theme, format, audiences, speakers, and key messages communicated.
3. To estimate the amount of the media coverage of the event and its specifics: media outlets, scope of mention, favorableness of media coverage, newsmakers, and key messages communicated.
4. To evaluate the effectiveness of the forum media relations for improving Russia’s image as an investment destination.

**Programming**

**Organizers.**

The forum was organized by Troika Dialog, one of the leading investment banks operating in Russia and the Commonwealth of Independent States.

**Theme.**

The Russia Forum 2010 program focused on the changing paradigm of the global and Russian economy. In a press release announcing the event, the forum organizers stated that it would help participants to answer the questions about future global growth and investment opportunities, securing funding for corporations, the
impact of the economic policies implemented worldwide, and the future of different economic sectors in the world and in Russia, in particular (The Russia Forum, 2010).

The forum was organized in the format of panel discussions on the topics concerned with the state of the global economy, challenges faced by businesses worldwide, Russian investment climate and the development of different economic sectors such as retail, banking sector, energy market, and utilities (The Russia Forum, 2010).

Events.

The following panel discussions focused on Russia’s attractiveness for foreign investors:


Summary.

The session focused on Russia’s ability to prevent a full-scale crisis on the local debt market due to the actions of the monetary authorities (The Russia Forum, 2010, February 3). Participants also discussed future situation on debt markets. They agreed that the Russian government and the Central Bank worked successfully on softening the impact of the financial crisis on the country's corporations (The Russia Forum, 2010, February 3). They stressed that the state and companies need to improve communications with investors, legal protection, and to work on telling the Russia story to the world, in order to develop the market further (The Russia Forum, 2010, February 3).

Johann Wermuth from Wermuth Asset Management mentioned the negative aspects of the Russian market such as weak legal protection for bondholders and no opportunities for covenants and bondholder meetings (The Russia Forum, 2010,
February 3). Discussing the difference in treating of Russia and Brazil in terms of credit, participants agreed that negative news flow is one of the major reasons why Russia was a worse credit (The Russia Forum, 2010, February 3). They also pointed to the need to fight corruption and strengthen the legal system and called for better predictability in the officials’ actions (The Russia Forum, 2010, February 3).

**Moderator.**

Peter Ghavami, Head of Global Markets, Troika Dialog

**Speakers.**

1. Giacomo Carlo Baizini, CFO, Evraz Group
2. Scott Bugie, Managing Director, Financial Institutions, Standard & Poor's
4. Dmitry Pankin, Deputy Minister of Finance of the Russian Federation
5. Sergey Shvetsov, Member of the Board of Directors, Bank of Russia
6. Elena Umnova, Deputy General Director, Svyazinvest

**Panel discussion: “Global Companies: New Challenges and Possible Innovations” – February 3, 2010.**

**Summary.**

The panel discussion was devoted to the challenges faced by global corporation in the current economic environment. According to RUSNANO CEO Anatoly Chubais, the main idea behind the innovations economy is to turn knowledge into money (The Russia Forum, 2010). He stressed that Russia holds a significant advantage such as its resources and intellectual capital. President of Sberbank German
Gref argued that the most promising sector in Russia’s economy is its small and medium business (The Russia Forum, 2010, February 5).

*Moderator.*

Michael Milken, Chairman, Milken Institute

*Speakers.*

1. Fyodor Andreyev, President, ALROSA
2. Anatoly Chubais, CEO, RUSNANO
3. Herman Gref, Chairman of the Board and CEO, Sberbank
4. Alexander Izosimov, President and CEO, VimpelCom Limited
5. Jean Lemierre, Senior Advisor to the Chairman, BNP Paribas
6. Vijay Mallya, Chairman, UB Group
7. Jacko Maree, CEO, Standard Bank Group
8. Xavier Rolet, CEO, London Stock Exchange

_Roundtable discussion: “Consumer Market: Unlocking One of Russia's Greatest Strengths” – February 3, 2010._

*Summary.*

The discussion was devoted to opportunities in the Russian consumer market, which was portrayed by the forum organizers as one of the most dynamic in the world. Senior representatives of consumer products companies working in Russia shared their perspectives on the current situation in the industry. Among the proposed topics for discussion there were factors affecting consumer behavior, future consumer market developments as well as changes in Russia’s consumer market for global players and new strategies utilized by industry companies (The Russia Forum, 2010).
Moderator.
Richard Smyth, General Director, Mars

Speakers.
1. Rostislav Or dovsky-Tanaevsky Blanco, President, Rostik Group Corporation
2. Igor Krylov, General Director, Pharmstandard
3. Mikhail Kusnirovich, Founder and Chairman of the Board of Directors, Bosco di Ciliegi Group of Companies
4. Stefan De Loecker, General Director, Nestle Rossiya
5. Aleksander Mechetin, Chairman of the Management Board, Synergy
6. Sergey Mikhailov, CEO, Cherki zovo Group

Participants emphasized the attractiveness and a growing potential of the Russian consumer market (The Russia Forum, 2010).

Key Statements.

Richard Smyth, General Director of MARS: “There are plenty of growth opportunities in Russia and MARS still considers it one of its key markets” (The Russia Forum, 2010).

Rostislav Or dovsky-Tanaevsky Blanco, President, Rostik Group Corporation: “Despite high entry barriers (due to bureaucracy), the market is still fairly open and not that competitive. Alongside low penetration of quality offerings, this puts Russia in a unique category in terms of companies’ expansion prospects” (The Russia Forum, 2010).

Stefan De Loecker, General Director, Nestle Rossiya: “The company continues to invest in Russia and believes that ROI could be sustainable” (The Russia Forum, 2010).

Summary.

The discussion focused on venture investment in Russia and the readiness of “the Russian financial and innovational architecture for smart capital.” The session brought together the representatives of international venture capital firms and founders and CEOs of Russian companies (The Russia Forum, 2010, February 4).

The participants agreed that venture investment had changed dramatically in Russia since early 1990s, and there are currently many investors working with Russian technological companies (The Russia Forum, 2010, February 4). They praised the quality of the Russian education in such subjects as math and computer science (The Russia Forum, 2010, February 4). However, the participants said that the major problems in Russia were the lack of qualified managers, regulation and legislation.

They also said that opening up a new business was a very difficult process, and sometimes entrepreneurs tried to launch innovative projects within an existing large company because it could deal with bureaucracy more effectively (The Russia Forum, 2010, February 4). The participants suggested that the investment in education and creating a system that can produce qualified tech managers are necessary steps for promoting venture capital in Russia (The Russia Forum, 2010, February 4).

Moderator.

Anatoly Karachinsky, President, IBS Group Holding

Speakers.

1. Dmitry Agarunov, CEO, GameLand
2. Serguei Belousov, Chairman and CEO, Parallels
3. Verdi Israeliian, Partner, DST Advisors
4. Elena Ivashentseva, Senior Partner, Baring Vostok Capital Partners
5. Mark Tluscz, Co-founder and Managing Partner, Mangrove Capital Partners
6. Elie Wurtman, General Partner, Benchmark Capital
7. David Yang, President, iiko

Key Statements.

Serguei Belousov, Chairman and CEO, Parallels: “Legal system should be transparent and predictable” (The Russia Forum, 2010, February 4).

Verdi Israeliian, Partner, DST Advisors: “I would be scared of regulation” (The Russia Forum, 2010, February 4).

Elena Ivashentseva, Senior Partner, Baring Vostok Capital Partners:
“Bureaucracy barriers: it’s hard to set up a new business in Russia. Business environment is not very favorable to small businesses. Degree monopoly is quite high. Corruption…Infrastructure: there is no logistical system to deliver small commodities. Managers’ skills are not meeting our expectations” (The Russia Forum, 2010, February 4).

Elie Wurtman, General Partner, Benchmark Capital: “I absolutely love Russia, this is a great market of opportunities. Conjunction of fantastic facts happening: hungry entrepreneurs trying to demonstrate that they want success, state investing in the infrastructure, significant exits – needs to happen to change. We love this market” (The Russia Forum, 2010, February 4).
David Yang, President, iiko: “People, people is the greatest problem in Russia, intellectual property rights should be regulated better” (The Russia Forum, 2010, February 4).


Summary.

Most of the discussion centered on the remarks made by Igor Shuvalov, Russia’s First Deputy Prime Minister, about the government’s plans to improve the investment climate in the country (The Russia Forum, 2010).

Speakers.

1. Igor Shuvalov, First Deputy Prime Minister of the Russian Federation
2. David North, Director, Head of Asset Allocation, Legal & General Investment Management
3. Andrei Movchan, CEO, Third Rome

Key Statements.

David North, Director, Head of Asset Allocation, Legal & General Investment Management: “Russia faces the challenge of the certainty of outcome. If you make money, can you get it out? If anything goes wrong, do you have the protection of legal rights?” (The Russia Forum, 2010).

Andrey Movchan, CEO, Third Rome: “Language is a barrier, very little English is spoken in Russia. Consistency in taxes is another barrier. Enforcement varies from region to region” (The Russia Forum, 2010).
Michael Milken, Chairman, Milken Institute: “Human and social capital are crucial. Also, a culture of encouraging respect for entrepreneurs instead of government officials is more dynamic” (The Russia Forum, 2010).

Igor Shuvalov, First Deputy Prime Minister of the Russian Federation: “Russia acknowledges the challenges that it faces in attracting investments. A lack of a culture of the entrepreneur exacerbates this. There will be a renewed focus on getting rid of “unfriendly” administrative structures and fostering respect for entrepreneurship. This year should also see inflation successfully contained” (The Russia Forum, 2010).


Summary.

Participants discussed the future performance of BRIC countries and the legitimacy of Russia to be part of the group (The Russia Forum, 2010).

Moderator.

Wilfried Vanhonacker, Dean, Moscow School of Management Skolkovo

Speakers.

1. Christopher Granville, Managing Director, Trusted Sources
2. Vijay Mallya, Chairman, UB Group
3. Raghuram Rajan, Professor, University of Chicago, Booth School of Business
4. Vsevolod Rozanov, President and CEO, MTS India
5. Ravi Viswanathan, Managing Director, Natixis Corporate Solutions
6. James D. Wolfensohn, Chairman and CEO, Wolfensohn & Company
7. Lanxin Xiang, Professor of International History and Politics, Graduate Institute of International and Development Studies (The Russia Forum, 2010).
Key Statements.

Christopher Granville, Managing Director, Trusted Sources: “One of the attractive factors of the Russian market is its large PPP of $15,000 per capita. Matching this huge productivity with the country’s endowment potential (resources) will drive tremendous growth. Russia will grow thanks to productivity gains and will encourage more migration. Demography has been disastrous in Russia but is improving thanks to a falling death rate” (The Russia Forum, 2010).


Summary.

The discussion centered on the development of entrepreneurship in Russia and pressures that businessmen might face doing business in the country. Several prominent Russian and foreign entrepreneurs shared their stories (The Russia Forum, 2010).

Moderator.

David Munro, Chief Executive, Corporate & Investment Banking, Standard Bank Group

Speakers.

1. Kah Yee Eg, Chairman, Key ASIC
2. Gustavo Fabian Grobocopatel, President, Grupo Los Grobo
3. Natalya Kaspersky, Chairman, Kaspersky Laboratory
4. Marcel Maleczewski, CEO, Bematech S/A
5. Michael Milken, Chairman, Milken Institute
6. Karim Rashid, Designer, Founder, Karim Rashid

**Government Speech.**

During his speech at the Russia Forum 2010, Alexei Kudrin, Finance Minister of the Russian Federation, described stability as the major government’s priority (The Russia Forum, 2010, February 3b). He also talked about the government’s intentions to reduce inflation and interest rates in the economy, which should increase confidence in the Russian banking system (The Russia Forum, 2010, February 3b).

Kudrin emphasized the need to improve the Russian investment climate, which did not become better over the years (The Russia Forum, 2010, February 3b). He mentioned that the government was working on reducing the red tape (The Russia Forum, 2010). He said the government realized that rapid economic growth over past years was based on oil prices, and in the future the economy should develop based on other drivers such as reducing costs, increasing innovation, and improving competitiveness (The Russia Forum, 2010, February 3b). “We will only welcome foreign investments, especially those bringing in new technologies. We don’t have any other way,” Kudrin stated (The Russia Forum, 2010, February 3b).

**Key Speaker.**

One of the major speakers at the event was Michael Milken, Chairman of the Milken Institute, researcher, financier and philanthropist. He spoke at the session “Investment Climate in Russia: Ways of Making It Better” and also gave a farewell speech (The Russia Forum, 2010).
Other Sessions.

Industry-specific discussions on Russian retail market, automotive industry, utilities, and banking sector emphasized the strong performance and potential of those sectors in the Russian economy (The Russia Forum, 2010).

Media Relations.

A section of the Russia Forum 2010 website was dedicated to the mass media, providing press releases and summaries of the forum sessions. The Russia Forum 2010 website also had videos of the forum sessions. Total, they posted 27 press releases providing session summaries and two press releases highlighting the forum days, 2 announcements of the major forum events, and 2 speech summaries.

Mass media representatives at the forum had access to panel discussions and thematic sessions as well as they could take part in press briefings with Russian officials and business representatives.

Forum Communications Analysis

No specific Russian regions were discussed at the event. Among positive investment factors mentioned at the forum were market potential, educated human resources, and the government’s intentions to implement measures improving the country’s investment climate. Participants also discussed the need to fight corruption and bureaucracy as well as to ensure better legal protection. They stressed the lack of qualified managers and the need to invest in better education in Russia. The conference’s speakers emphasized the Russian government’s economic priorities of modernization, innovation and the development of entrepreneurship.

The forum provided businessmen and investors with an opportunity to interact with each other and Russian officials. They also had a chance to share their stories and advice. High-profiled attendants ensured media attention.
However, the forum mostly served the purpose of providing a communication and information platform for the businesses either already doing business in Russia or being in interested in doing that in future. It had potential of motivating already aware and accepting publics into action while mostly mixed and neutral media coverage hardly served the purpose of recruiting new investors.

**Media Coverage**

As Lexis Nexis search and Google News search demonstrated, the Russia Forum 2010 garnered 10 mentions in the U.S. media, among which there were 5 articles, 4 brief mentions, and 1 opinion piece. In terms of the favorableness of the coverage, 4 media reports presented both positive and negative views on the Russian investment climate; 2 were neutral, 2 – negative, and the other 2 had a positive evaluation of Russia’s potential for foreign investors.

Media outlets that covered the Russia Forum 2010 are Reuters (3 mentions), Bloomberg (2 mentions), Bloomberg Businessweek, CNBC website (reprint from the *New York Times*), Financial Times, *The New York Times*, and SeekingAlpha.com. It is also important to note that three of them – Bloomberg, Reuters and CNBC served as the forum media partners (The Russia Forum, 2010).

**Newsmakers.**

Newsmakers mentioned in the U.S. media reports covering the Russia Forum 2010 are:

1. Alexei L. Kudrin, Finance Minister of the Russian Federation – 3 mentions
2. Igor Shuvalov, First Deputy Prime Minister of the Government of the Russian Federation – 3 mentions
3. Anatoly Chubais, RUSNANO CEO – 2 mentions
4. German Gref, chief executive of Sberbank – 2 mentions
5. Jochem Wermuth, founder of Moscow-based Wermuth Asset Management – 2 mentions
6. Edmund S. Phelps Jr., a professor of economics at Columbia University who won the Nobel Prize in 2006
7. Elvira Nabiulina, Minister of Economic Development of the Russian Federation
8. David North, head of asset allocation at the U.K.’s Legal & General
9. George Cooper, a former physicist and now a fund manager with Alignment Investors
10. Xavier Rolet, London exchange’s CEO
11. Michael Milken, chairman, Milken Institute
12. Stefan de Loecker, CEO of Nestle for Russia and the Eurasia region
13. Mikhail Kusnirovich, chairman of the board at Bosco di Ciliegi
14. Richard Smyth, president of Mars for Europe and the CIS
15. Rostislav Ordovsky-Tanayevsky Blanco, president of Rostiks Group
16. Alexander Mechetin, chairman of Synergy
17. Alexander Zhukov, Deputy Prime Minister of the Government of the Russian Federation
18. Dmitry Pankin, Deputy Finance Minister of the Russian Federation

**Russian Regions.**

No specific Russian regions were mentioned in the U.S. media reports.

**Key Messages.**

1. Russian government is trying to free the country from its commodity dependency.
2. Innovation is the focus of President Medvedev’s tenure.

3. Russia is desperate to attract foreign investment after enjoying a sharp recovery last year from near-disaster in 2008.

4. The Russian government will step up its privatization program: it plans to sell its stakes in strategic enterprises.

5. First Deputy Prime Minister Igor Shuvalov told international bankers and fund managers that he would ease regulations, visa hurdles and police interference to help attract foreign investment.

6. First Deputy Prime Minister Igor Shuvalov’s speech lacked concrete proposals.

7. Rampant corruption, bureaucracy and a distrust of private business are some of the main obstacles that prevent a culture of innovation from flourishing, forum attendees said.

8. There is still investor scepticism about Moscow’s ability to tackle rampant corruption and diversify the economy away from a raw-materials base to emulate its more innovative BRIC competitors.

9. Anatoly Chubais, a head of Rosnano, said the country had not learnt how to convert knowledge into money-making businesses, despite its rich scientific heritage.

10. “We are looking to convince investors that it is not as bad as it smells”, Jochem Wermuth, Managing Partner of Wermuth Asset Management, told Reuters on the sidelines of the conference.

**Investment Factors.**

- Well – educated human resources: yes – 3 mentions
- Risk of breach of contract by government: high – 3 mentions
• Innovative human resources: no – 2 mentions
• Secure: no – 2 mentions
• Expropriation risks: high – 2 mentions
• Corruption: high – 2 mentions
• Bureaucracy: high – 2 mentions
• Political environment: unstable
• Market Potential: high.

**Investment Factors Mentioned at the Public Diplomacy Events vs. Investment Factors Mentioned in the U.S. Mass Media.**

*Table 4.1: Factors Mentioned at the Russia Forum 2010 vs. Factors Mentioned in the U.S. Mass Media.*

<table>
<thead>
<tr>
<th>Factors</th>
<th>Mentioned at the Event</th>
<th>Mentioned in the Media</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Positive</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Growing Consumer Market</td>
<td>Growing Consumer Market</td>
<td></td>
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<tr>
<td>Strong Education in Math and Sciences</td>
<td>Strong Education in Math and Sciences</td>
<td></td>
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<tr>
<td>Government’s Commitment</td>
<td>Government’s Commitment</td>
<td></td>
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<tr>
<td>Great Vision of Russia’s Leadership</td>
<td>Great Vision of Russia’s Leadership</td>
<td></td>
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<tr>
<td>“Hungry” Entrepreneurs</td>
<td></td>
<td>“-”</td>
</tr>
<tr>
<td><strong>Negative</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bureaucracy</td>
<td>Bureaucracy</td>
<td></td>
</tr>
<tr>
<td>Corruption</td>
<td>Corruption</td>
<td></td>
</tr>
<tr>
<td>Poorly-functioning Legislature</td>
<td>Distrust of Private Business</td>
<td></td>
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<tr>
<td>Regulation</td>
<td>“-”</td>
<td></td>
</tr>
<tr>
<td>Lack of Qualified Managers</td>
<td>“-”</td>
<td></td>
</tr>
<tr>
<td>Run-down Infrastructure</td>
<td>“-”</td>
<td></td>
</tr>
<tr>
<td>Intellectual Property Rights</td>
<td>“-”</td>
<td></td>
</tr>
<tr>
<td>Foreign Language Competency</td>
<td>“-”</td>
<td></td>
</tr>
</tbody>
</table>
Media Coverage Analysis.

The U.S. media highlighted the Russian government’s attempts to diversify the country’s economy and emphasized that innovation and modernization became the focus of Medvedev’s presidency. They mentioned the government’s promises to ease regulations, visa hurdles and police interference aimed at attracting foreign investment. However, the mass media stressed that Russia stayed a high-risk country for foreign investors with such problems as rampant corruption, bureaucracy, and distrust of private business. They also pointed to the lack of concrete proposals to fight those major obstacles, which left the forum’s audience cold to the Russian officials’ speeches. The founder of one Moscow-based funds said though that they were working on convincing foreign investors that Russia was not as bad as it smelled.
Case Study 2: Communicating Skolkovo Announcement

Background

The idea to build a Russian research and innovation center was announced by the Russian President Dmitry Medvedev at the end of 2009 (Skolkovo Foundation, 2010b). In February 2010, he signed a decree to form a working group for planning and creating of the center (Skolkovo Foundation, 2010b). In March 2010, a Moscow region town of Skolkovo was selected as the location for the future innovation center, and Russian billionaire Viktor Vekselberg was appointed to become the CEO of Skolkovo Foundation (Skolkovo Foundation, 2010b). In April 2010, two Co-chairmen, Jores Alferov from Russia and Roger David Kornberg from the U.S., were announced (Skolkovo Foundation, 2010b).

The purpose of the project is “the expansion of research works, development and commercialization of their results” (Skolkovo Foundation, 2010a). Foreign investment was supposed to play an important role in fulfilling that purpose by bringing latest technology and culture of innovation as well as sharing expertise.

Case Study Objectives

The case study has the following objectives:

1. To identify the players of Russia’s public diplomacy involved in promoting the Skolkovo innovation center to foreign (U.S., in particular) investors.
2. To describe the specifics of the public diplomacy activity: major theme, events, audiences, speakers, and key messages communicated.
3. To identify the amount of media coverage dedicated to the activity and its specifics: media outlets, scope of mention, favorableness of media coverage, newsmakers, and key messages communicated.
4. To evaluate the effectiveness of media relations at the events for improving Russia’s image as an investment destination.

Programming

Theme.

The overall theme of the described below events was the creation of Russia’s version of Silicon Valley, a technological hub with special legal and administrative regulations, which would spur innovation in the country.

Organizers.

• Commission for Modernization and Technological Development of Russia’s Economy: established in May 2010 and chaired by the Russian President, the commission aims at the development of economic policies to spur modernization and innovation in Russia.

• Dmitry Medvedev, President of the Russian Federation

• Vladislav Surkov, First Deputy Chief of Staff of the Presidential Executive Office and Deputy Chief of the Commission for Modernization and Technological Development of Russia’s Economy

• Viktor Vekselberg, Chairman of the Supervisory Committee of Renova Group and Skolkovo Foundation CEO

Events.

The initial announcements about establishing Russia’s innovation center were made by Russian President Dmitry Medvedev during his address to the Federal Assembly in 2009 and at the meetings of the Commission on Modernization and Technological Development of Russia’s Economy featuring Russian public official and business representatives (Skolkovo Foundation, 2010b).
In the annual Presidential Address to the Federal Assembly of the Russian Federation, Dmitry Medvedev said that “the preparation work on the program for establishing a prominent research and development center in Russia” should be completed (Skolkovo Foundation, 2010b). He also said that the center should “focus on support for absolutely all of the priority areas”: energy, IT, telecommunications, biotechnology and nuclear technology (Skolkovo Foundation, 2010b). The technological center was supposed to be “something on the lines of Silicon Valley and similar foreign centers” offering attractive working conditions for leading researchers, engineers, designers, software programmers, managers and financial specialists (Skolkovo Foundation, 2010b). According to the Russian President, it would produce new technology able to compete on the global market (Skolkovo Foundation, 2010b).

Dmitry Medvedev signed a decree to form a working group for creation of a research complex under the leadership of Vladislav Surkov, First Deputy Chief of Staff of the Presidential Executive Office and Deputy Chief of the Commission for Modernization and Technological Development of Russia’s Economy (Skolkovo Foundation, 2010b).
Meeting of the Commission on Modernization and Technological Development of Russia’s Economy in Tomsk - February 11, 2010.

Summary.

At the meeting of the Commission for Modernization and Technological Development of Russia's Economy held in the Russian town of Tomsk, Medvedev announced that he had signed an executive order to establish in Russia a research and development center that would become a major testing ground for new economic policy (Skolkovo Foundation, 2010b).

Key Statements.

Dmitry Medvedev, President of the Russian Federation: “In my Address [to the Federal Assembly] I also talked about the need to create a powerful center for research and development in Russia and signed a relevant order on the subject. I would like the representatives of businesses present here to get involved in this work. A new innovation center is not, of course, a Silicon Valley, but it is still a prototype city of the future and should become a major testing ground for new economic policy” (Press Service of the President of Russia, 2010, February 11).


Summary.

First Deputy Chief of Staff of the Presidential Executive Office and Deputy Chief of the Commission for Modernization and Technological Development of Russia’s Economy Vladislav Surkov gave an interview entitled “The miracle is possible” to Russian business daily Vedomosti, in which he discussed the goals of Russia’s innovation projects. Tomsk, Novosibirsk, St. Petersburg, Obninsk and
several areas near Moscow were mentioned as possible sites for the innovation centre (Kreml.org: Expert Political Network, 2010, February 14).

**U.S. Innovation Delegation Visit to Moscow and Novosibirsk - February 17 - 22, 2010.**

**Summary.**

According to the U.S. State Department's media note (2010), the purpose of the trip was to bring together American innovation leaders and representatives of the Russian government as well as universities, private companies, and non-governmental organizations. The visit was held under the auspices of the Bilateral Presidential Commission created by Presidents Obama and Medvedev in July 2009.

The delegation was led by Jared Cohen of the State Department’s Office of Policy Planning and Howard Solomon of the National Security Council (U.S. Department of State, 2010). White House Chief Technology Officer Aneesh Chopra also joined the group (U.S. Department of State, 2010). Representatives of major American technology and social media companies, including EBay, Twitter, Cisco Systems, Howcast, EDventure, Social Gaming Network, and Mozilla, participated in the event (U.S. Department of State, 2010).

The delegation met with federal and regional officials, civil society activists, educators and students, and entrepreneurs. They had discussions with First Deputy Chief of Staff of the Presidential Executive Office Vladislav Surkov, Communications and Press Minister Igor Shchyogolev and head of the Electronic Government project at state telecoms operator Rostelecom Valery Zubakha (Newsru.com, 2010, February 18).

The visit was focused on electronic governance and the role of technology in combating corruption and trafficking in persons, improving healthcare, and expanding
educational opportunities for youth and teachers (Embassy of the United States in Russia, 2010).

President’s Meeting with Winners of International School and Student Contests - March 18, 2010.

Summary.

At a meeting with the winners of international school and student contests, Russian President Medvedev announced the decision to select Moscow region town Skolkovo as a location for Russia’s scientific center aimed developing and commercializing advanced technologies (Skolkovo Foundation, 2010b).

Key Statements.

Dmitry Medvedev, President of the Russian Federation: “The new center will have five “presidential” priorities for modernization: energy, IT, telecommunications, biotechnology and nuclear technology. I made the decision — we will build this center where we have already laid the groundwork for doing it quickly. Speed matters, so we will build it in Skolkovo” (Press Service of the President of Russia, 2010, March 18).


Summary.

At the meeting of The Commission for Modernization and Technical Development of Russia’s Economy in Khanty-Mansiisk Dmitry Medvedev appointed Viktor Vekselberg, the Chairman of the Supervisory Committee of Renova Group, to lead the Skolkovo project (Skolkovo Foundation, 2010b).
Key Statements.

**Dmitry Medvedev, President of the Russian Federation:** “We will also need a corresponding scientific advisory council, and bring in foreign partners, including well-known representatives from foreign scientific circles and companies... I think that we must also decide on legal regulations for the work that will be done there... I think that we should consider creating special legal regulations for this kind of work” (Press Service of the President of Russia, 2010, March 23).

**Nobel Prize Winner Jores Alferov to Become Co-chairman of Skolkovo Council - April 5, 2010.**

**Summary.**

First Deputy Chief of Staff of the Presidential Executive Office Vladislav Surkov said to Russian business daily Vedomosti that Scientific and Technical Council would be formed for the Skolkovo project. It will include both Russian and foreign scientists, engineers and experts. Two Co-chairmen will head the Council. An academician and Nobel prizewinner Jores Alferov was appointed Co-chairman of the Scientific and Technical Council on the Russian part (Skolkovo Foundation, 2010b).

**Nobel Laureate Kornberg to Become Second Co-chairman of Skolkovo Council - April 27, 2010.**

**Summary.**

First Deputy Chief of Staff of the Presidential Executive Office Vladislav Surkov told Russian information agency RIA Novosti that Nobel laureate Roger David Kornberg, a U.S. biochemist and professor of structural biology at Stanford School of Medicine would co-chair the Scientific and Technical Council of Skolkovo. Co-chairman Jores Alferov suggested his candidacy (Skolkovo Foundation, 2010b).
Meeting of the Commission on Modernization and Technological Development of Russia's Economy in Obninsk - April 29, 2010.

Summary.

At the session of the Commission on Modernization and Technological Development in the Russian town of Obninsk, Russian President Dmitry Medvedev said that Ex-Intel chief executive Craig Barrett was appointed as the Skolkovo center’s Co-Chairman. According to President, international appointments should spur international interest towards Skolkovo. Medvedev pledged tax and administrative privileges for companies joining the center in Skolkovo and added that immigration rules would be simplified (Press Service of the President of Russia, 2010, April 29).

Key Statements.

Dmitry Medvedev, President of the Russian Federation:

“We agreed that this center would serve as the driving force for creating an innovation system in our nation.”

“I instructed the Government to work on a special legal, administrative, tax, and customs framework for this center’s operation – in other words, on its special legal and economic status.”

“First of all, a privileged regime that will be in place for ten years from registration as a participant, until the annual receipts hit a total of one billion rubles; after that – until the accumulated earnings reach 300 million rubles.”

“The Russian Government needs to step up measures intended to significantly simplify or even cancel current mechanisms for quota allocation, immigrant registration, and various types of work permits for highly qualified foreign specialists.” (Press Service of the President of Russia, 2010, April 29).
Media Relations.

Announcements about establishing a Russian innovation center were made at the meetings of the Commission on Modernization and Technological Development of Russia's Economy and other meetings of Russian President with internal publics (e.g., winners of school contests). The videos and transcripts of President Medvedev’s speeches are available online. First Deputy Chief of Staff of the Presidential Executive Office Vladislav Surkov gave interviews to Russian media outlets about the project goals and progress made. No international media were involved.

Communications Analysis

Initial announcements about Russia’s innovation center seem to have targeted internal audiences: Russian businesses, general public and mass media. The only event involving foreign investors’ participation was the U.S. Innovation Delegation’s visit to Moscow and Novosibirsk. The visit could be considered a public diplomacy event organized by the U.S. government but it provided the Russian side with an opportunity to demonstrate the country’s investment potential.

President Medvedev and the Chief of Presidential Staff Vladislav Surkov were major spokespeople on the Skolkovo initiative. During the first months of Skolkovo promotion (February – May, 2010), its potential and benefits (administrative and tax) were not clearly articulated to foreign publics: the media and investment community.

Media Coverage

According Lexis Nexis search and Google News search, the announcement of the Russian government’s decision to build an innovation center generated 6 media mentions in a 2-month time span. Among them there were 2 feature stories, 2 news articles, and 2 brief mentions. In terms of the favorableness of the media coverage, 4
media reports presented mixed views on Russia’s attractiveness as an investment destination; 1 was neutral, and another one was negative.

Media outlets that covered the announcement of the Skolkovo project included Reuters (3 mentions), Bloomberg Businessweek, The New York Times, and The Economist.

The article in The Economist was a reaction to the interview that Vladislav Surkov gave to Russian business daily Vedomosti, in which he talked about modernization and innovation development in Russia. The Economist stressed that his plan was based on transforming the country’s economy without changing the country’s political foundations.

Reuters covered Medvedev’s decision to hire Russian billionaire Viktor Vekselberg to oversee the Skolkovo project implementation. The New York Times and Reuters covered Medvedev’s announcement of the place selected for Russia’s technological hub. Bloomberg Businessweek and Reuters talked about Skolkovo in the context of Vekselberg stepping down from the position of an executive director at TNK-BP to lead Skolkovo project.

**Newsmakers.**

Newsmakers cited in the media reports are:

- Dmitry Medvedev, President of the Russian Federation – 3 mentions
- Vladimir Ryzhkov, opposition politician – 2 mentions
- Viktor F. Vekselberg, Chairman of the Supervisory Committee of Renova Group– 2 mentions
- Evgeny V. Zaytsev, a co-founder of Helix Ventures, a life sciences venture capital company based in Palo Alto, Calif., and a member of the advisory board of AmBar
Key Messages.

1. President Dmitry Medvedev announced that Russia would build a high-tech hub near Moscow modeled on Silicon Valley to spur modernization of the economy and reduce its dependence on oil and gas.

2. Once developed, the site is intended to incubate scientific ideas using generous tax holidays and government grants until the start-ups can become profitable companies.

3. Viktor Vekselberg, the billionaire executive director at TNK-BP, will step down after being appointed by President Dmitry Medvedev to lead the creation of a Russian technology center.

4. Critics have already ridiculed Medvedev's attempts to establish a "knowledge economy" in Russia, saying the country's rampant corruption, poor living conditions and lack of legal guarantees make it ill-suited to rivaling California's science and technology center.

5. Liberal critics quickly pointed out that modernization in Russia is impossible without political liberalization and institutional change. Modernization either serves as «a cover-up for preserving the status quo» or as a way to appropriate public money (The Economist, 2010, March 15).
**Investment Factors.**

Investment factors mentioned in the U.S. mass media included:

- Corruption: high – 5 times
- Well-functioning legislature: no – 3 times
- Risk of breach of contract by government: high – 2 times
- Bureaucracy: high – 2
- Risk of expropriation: high
- Market potential: high
- Well-educated Human Resources: yes.

**Investment Factors Mentioned at the Public Diplomacy Events vs. Investment Factors Mentioned in the U.S. Mass Media.**

*Table 4.2: Factors Mentioned at the Events Announcing Skolkovo vs. Factors Mentioned in the U.S. Mass Media.*

<table>
<thead>
<tr>
<th>Factors Mentioned at the Event</th>
<th>Factors Mentioned in the Media</th>
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<tbody>
<tr>
<td>Positive</td>
<td></td>
</tr>
<tr>
<td>Privileged Tax Regime</td>
<td>High Market Potential</td>
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<tr>
<td>Simplified Immigration for Foreign Specialists</td>
<td>Well-educated Human Resources</td>
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<td>-</td>
<td>Favorable Investment Policies in Skolkovo</td>
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<tr>
<td>Negative</td>
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<tr>
<td>-</td>
<td>Corruption</td>
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<td>-</td>
<td>Poorly-functioning Legislature</td>
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<td>-</td>
<td>High Risk of Expropriation</td>
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<tr>
<td>-</td>
<td>Bureaucracy</td>
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</tbody>
</table>

**Media Coverage Analysis**

The U.S. mass media emphasized that innovation and modernization became high priorities for Medvedev’s presidency. They stated that Skolkovo was supposed to
become a technological hub that would spur Russia’s modernization and would help
to develop five priority sectors: energy, IT, telecommunications, bio-medical and
atomic technologies. The New York Times (2010, April 10) mentioned that
Medvedev promised tax holidays and government grants to start-ups until they
become profitable.

However, The Economist (2010, March 15) criticized Russia’s attempt to
modernize economically without political liberalization and institutional changes. The
publication called it “a cover-up for preserving the status quo” or “a way of siphoning
off more public money” (The Economist, 2010, March 15).

Other U.S. mass media covering Skolkovo announcement mentioned Russia’s
rampant corruption, poor living conditions and lack of legal guarantees as obstacles
for Skolkovo’s success. Russian opposition member Vladimir Ryzhkov was cited
saying that Russia’s ruling elite consists of a corrupt bureaucracy, the security
services and a few oligarchs who “live off the rent from natural resources or
administrative interference in the market” (The Economist, 2010, March 15).
Yevgeny Kaspersky, founder of the Kaspersky Lab, an antivirus company, was
quoted saying that Russia had a lot of talented software engineers but not a lot of
successful businesses because “people still have an iron curtain in their minds” (The
Case Study 3: St. Petersburg International Economic Forum

Background

Organized annually since 1997, the St. Petersburg International Economic Forum (SPIEF) is one of the major international business events in Russia bringing together politicians, Russian and foreign business community representatives, and experts to identify and discuss key challenges facing Russia and emerging markets, in general.

It provides Russian officials with a chance to communicate recent developments in the country’s economic and investment environment and to announce investment – related policy changes. It also provides a platform for business representatives to voice their concerns and share advice on how to make a situation better.

Held on June 17 – 19, 2010, SPIEF was devoted to Russia’s modernization and innovation agenda. About 4,200 attendees from 87 countries participated in the SPIEF 2010 events (St. Petersburg International Economic Forum, 2010b).

Case Study Objectives

The case study has the following objectives:

1. To identify the players of Russia’s public diplomacy to attract U.S. investment.
2. To describe the specifics of the public diplomacy activity: major theme of the forum, program, audiences, speakers, and key messages communicated.
3. To identify the amount of the forum’s media coverage and its specifics: media outlets, scope of mention, favorableness of media coverage, newsmakers, and key messages communicated.
4. To evaluate the effectiveness of media relations at the event to improve Russia’s image as an investment destination.

Programming

Theme.

The overall theme of SPIEF 2010 was Russia’s innovation agenda and the country’s road to a knowledge–based economy.

Organizers.

The SPIEF Foundation coordinates activities at the SPIEF. It is responsible for planning, logistics, PR and information support as well as guest assistance (St. Petersburg International Economic Forum, n.d. b). The SPIEF Foundation works closely with the SPIEF Organizing and Coordination Committees represented by Russian public officials and businessmen (St. Petersburg International Economic Forum, n.d. a).

Participants.

International participants included:

- 3 international heads of state (the presidents of Armenia, Macedonia, and France, as well as the prime ministers of Slovenia, Bosnia and Herzegovina, Abkhazia, and South Ossetia)
- 35 foreign vice premiers and ministers
- 58 ambassadors
- 46 representatives of international organizations
- 304 international delegates representing 80 countries
- 759 international business representatives from 87 countries, including SPIEF partners and sponsors (St. Petersburg International Economic Forum, 2010b).
• The President of the Russian Federation Dmitry Medvedev
• Deputy Prime Ministers of the Russian Federation
• 11 Russian cabinet ministers
• 14 Russian federal agency heads
• 34 Russian State Duma deputies
• 40 Russian Federation Council members
• 207 Russian federal government representatives
• 83 heads of Russian federal subjects
• 867 Russian business representatives, including SPIEF partners and sponsors

The U.S. had the largest representation of CEOs and Chairmen at the forum.

Twenty-one business leaders from the U.S.-based companies attended the SPIEF.
France (15 businessmen), Germany (7 businessmen) and Switzerland (7 businessmen)
followed the U.S. in terms of the number of CEOs participating in the forum (St.

The U.S. companies, leaders of which attended the forum, included:
• Wolfensohn and Company (investment and advisory firm on emerging
  markets – offices in New York, London, New Delhi)
• J.P. Morgan Chase & Company (financial services, works in Russia through a
  subsidiary bank)
• Deloitte LLP (consulting – works in Russia)
• Alcoa Inc, Microsoft International (technology – works in Russia)
• ConocoPhillips (energy – works in Russia)
• Pfizer Inc (pharmaceutical – works in Russia)
• Citigroup (financial services – works in Russia)
• Chevron Corporation (energy – works in Russia)
• KPMG International (audit, tax, advisory services – works in Russia)
• Cisco Systems Inc (technology – works in Russia)
• Deere & Company (farm, forestry, and construction operations – works in Russia)
• ExxonMobil Development Company (energy – works in Russia)
• Bank of New York Mellon (financial services – works in Russia)
• Dow Europe GmbH (science and technology – works in Russia)
• Bank of America (financial services, operates in Russia through Merrill Lynch brand)
• NYSE Euronext Incorporated (financial services - security exchanges operator)
• Morgan Stanley (financial advising – work in Russia)
• International Paper (packaging – work in Russia)
• McLarty Associates (consulting – work in Russia)

Almost all the U.S. companies, leaders of which participated in SPIEF 2010, were already represented in the Russian markets. They worked in such industries as energy, financial services, consulting, and technology.

Events.

SPIEF 2010 hosted 42 business events, including two keynote and 26 plenary sessions. The following events were in formats new to the Forum in 2010:

• CNBC televised debate
• 2 industry breakfasts
• 5 briefings

Aside from the Russian investment climate and opportunities, SPIEF sessions covered the topics of the global competitiveness of Russian education, the future of the energy sector, Russia’s budgetary policy, agriculture, tourism industry, cinema, pharmaceuticals, organizational and economic aspects of World Cup, sovereign wealth funds, integration between Russia, Ukraine and Belarus, media convergence, and space travel (St. Petersburg International Economic Forum, 2010b).

The second day of the forum started with the address by Russian President Medvedev, in which he reflected on the state of the Russian economy and outlined major changes that should make the country a more favorable place to invest in (St. Petersburg International Economic Forum, 2010, June 18e).

**Session “World Under Change”: Russian Presidential Address - June 18, 2010.**

**Summary.**

Medvedev talked about improvements in Russia’s economy: constraining inflation and reducing the federal budget deficit (St. Petersburg International Economic Forum, 2010, June 18e). He emphasized that creating an investor-friendly environment was a top priority.

He mentioned such initiatives as abolishing capital gains tax for companies involved in foreign direct investment, tax benefits for companies involved in innovation, law enforcement rules in relation to business, simplified migration regime, and reduction of the number of strategic enterprises restricted for foreign
investors (St. Petersburgh International Economic Forum, 2010, June 18e). Medvedev talked about the important role of the Commission on Modernization in Russia’s economic development. The Russian President also stressed the importance of working on establishing an international financial center in Moscow (St. Petersburgh International Economic Forum, 2010, June 18e).

**Key Statements.**

*Dmitry Medvedev, President of the Russian Federation:* “A year has passed since our last meeting, but it is not simply a year that has gone by — something rather bigger has happened. We have changed” (St. Petersburgh International Economic Forum, 2010, June 18e).

“The creating of a positive environment for investors is, in essence, our most important task. Today, however, we place this challenge at the very centre of our efforts” (St. Petersburgh International Economic Forum, 2010, June 18e).

“Today, I am ready to announce that starting in 2011, Russia will fully abolish capital gains tax on long-term direct investments” (St. Petersburgh International Economic Forum, 2010, June 18e).

“I am charging the government with the task of working out how to set up a special investment fund in which government contributions will be supplemented by private capital (for every ruble of government investments, for instance, we hope to attract three rubles of private money)” (St. Petersburgh International Economic Forum, 2010, June 18e).

“The new pilot center for Russian innovation at Skolkovo is of particular importance to U.S. I have submitted a draft bill to the State Duma to give the centre special legal status. It will be home to a new system for selecting, developing, commercializing and then supporting innovative projects, unlike anything we have
had before in Russia” (St. Petersburgh International Economic Forum, 2010, June 18e).

Several forum sessions were particularly focused on U.S.-Russia business cooperation, such aspects of doing business in Russia as labor issues, immigration policy and administrative barriers, and Russia’s innovation potential.

**Russia – U.S. Business Dialogue - June 17, 2010**

**Summary.**

The participants of Russia – U.S. Business Dialogue including Russian and American officials as well as representatives of the business community discussed major issues and possible solutions for improving economic cooperation between the countries. Leaders of U.S. companies working in Russia shared their experience and suggested changes that could make Russia’ market more attractive for foreign investors. Among the major problems of doing business in Russia, red tape, government regulations, high customs tariffs, no protections for investors’ rights, and infrastructure were named. The attendees also discussed institutions that could play an important role in expanding the U.S. – Russia economic cooperation (St. Petersburgh International Economic Forum, 2010, June 17).

**Moderator.**

Alexander Shokhin, President of the Russian Union of Industrialists and Entrepreneurs

**Speakers.**

- Andrey Denisov, First Deputy Minister of Foreign Affairs of the Russian Federation
- Robert D. Hormats, U.S. Under Secretary of State for Economic, Energy and Agricultural Affairs
• Elvira Nabiullina, Minister of Economic Development of the Russian Federation
• Andrew Somers, President, American Chamber of Commerce in Russia
• Viktor Vekselberg, Chairman of the Supervisory Committee, Renova Group
• Samuel R. Allen, Chairman and CEO, Deere & Company
• John Beyrle, Ambassador of the United States of America in the Russian Federation
• Sergei Borisov, President, "OPORA Rossii"
• Andrey Bugrov, Managing Director, Interros JSC
• Thomas M. Connelly, Executive Vice President and Chief Innovation Officer, DuPont
• John V. Faraci, Chairman and CEO, International Paper
• Timothy Flynn, Chairman, KPMG International
• Andrey Fursenko, Minister of Education and Science of the Russian Federation
• Peter T. Grauer, Chairman, Bloomberg
• Alexei Isaikin, President, Volga-Dnepr Group
• Anatoly Karachinsky, President, IBS Group Holding
• Jacques Der Megreditchian, Chief Business Officer, Troyka Dialog
• Alexey Mordashov, CEO, Severstal JSC
• Dennis Nally, Chairman, PricewaterhouseCoopers International Limited
• Vikram Pandit, CEO, Citigroup
• Dmitry Pumpyansky, Chairman of the Board of Directors, OJSC TMK
• James Quigley, CEO, Deloitte Touche Tohmatsu
• Zakhar Smushkin, Chairman of the Board of Directors, Ilim Group
• Boris Titov, Chairman, Delovaya Rossia

• James Turley, Chairman and CEO, Ernst & Young


Key Statements.

Robert D. Hormats, Under Secretary of State for Economic, Energy and Agricultural Affairs: “We have already had examples of a number of very important American investments made here just very recently, and we look forward to more opportunities for American companies to invest here, because we think this is good for American companies and we think it also contributes to growth and to the creation of high quality jobs in Russia” (St. Petersburgh International Economic Forum, 2010, June 17).

Andrey Denisov, First Deputy Minister of Foreign Affairs of the Russian Federation: “The pressing issue for the Russian economy is a transition into innovation and implementation of new technology. This is part of our national strategy, and it dovetails nicely with the course the government of the Russian Federation is taking in its economic and trade relations with the United States of America” (St. Petersburgh International Economic Forum, 2010, June 17).

Viktor Vekselberg, Chairman of the Supervisory Committee, Renova Group and Skolkovo Foundation CEO: “It’s with good reason that Skolkovo is popularly known as the “Russian Silicon Valley,” given the widespread acknowledgement of the leadership, knowledge and experience of American companies that went into the creation of this project. We are interested in working closely with leading American companies” (St. Petersburgh International Economic Forum, 2010, June 17).
Andrew Somers, President, American Chamber of Commerce in Russia: “We know there are a number of investors who are ready to invest significant sums in Russia, such as investors in the electronics industry, but there are still high tariffs on the components and it makes no sense to import a component and pay tariffs and then build a factory when the completed product can be brought in at almost no tariff. There is no protection for investors right now” (St. Petersburgh International Economic Forum, 2010, June 17).

Elvira Nabiullina, Minister of Economic Development, Russian Federation: “However, at this time, actual trade and economic relations clearly do not correspond to the scale of our countries’ economies. The total amount of aggregated American investments in Russia came to USD 7 billion in 2009. Before the beginning of the crisis, it was about USD 9.4 billion”

“Naturally, we are also listening to the concerns of American companies: among other things, regarding the level of tariffs” (St. Petersburgh International Economic Forum, 2010, June 17).

Vikram Pandit, CEO, Citigroup: “It’s about co-operation, it’s about the diversification of the Russian economy, it’s about integration into the world economy. We saw some of this in the context of the improved visa process for foreign talent coming to Russia. These are all important steps and the concepts are right, the framework is right…” (St. Petersburgh International Economic Forum, 2010, June 17).

Samuel Allen, CEO, Deere & Company: “But what we also need is a constructive set of government policies with respect to infrastructure development, tariffs, customs and overall competitiveness. We do applaud those in the Russian Government who have committed to long-term investments in the nation’s highways,
bridges, ports and railways. As infrastructure is upgraded and expanded, the opportunities increase dramatically for business expansion, investments, and new jobs” (St. Petersburg International Economic Forum, 2010, June 17).

*John Faraci, International Paper:* “Just to give you some metrics here — it costs about twice as much to build the same capacity in Russia as it costs in China. It takes about 70% more time to complete that same project in Russia than it does in China, and Russia has about the highest complexity. Now, Russia is less expensive than North America, but in terms of aiming for the best, and I think as we look at in spending capital around the world, Russia has an opportunity and a challenge” (St. Petersburg International Economic Forum, 2010, June 17).

*Dennis Nally, Chairman, PricewaterhouseCoopers International Limited:* “PricewaterhouseCoopers, together with the Russian Venture Company and the New Economic School, released a survey on the status of innovation and modernization here in Russia: number one on the list is the whole issue with regard to the question of red tape…Two — the issue around insufficient protection of investor rights, and then third …- the financing of start-ups and how they can be dealt with much more effectively” (St. Petersburg International Economic Forum, 2010, June 17).


*Summary.*

Alexander Zhukov, Deputy Prime Minister of the Russian Federation, talked about the initiatives that helped to reduce unemployment in Russia: public works, retraining and education initiatives, and mobility funds. Konstantin Romodanovsky, Director of the Federal Migration Service, presented government changes in Russia’s immigration policy (St. Petersburg International Economic Forum, 2010, June 18b).
Moderator.

Karl Johansson, Managing Partner, CIS, Ernst & Young

Speakers.

1. Konstantin Romodanovsky, Director, Federal Migration Service, Russian Federation

2. Alexander Zhukov, Deputy Prime Minister of the Russian Federation

Key Statements.

Romodanovsky, Director, Federal Migration Service, Russian Federation:

“Visas for highly-skilled workers will be issued for up to three years. And in general, work permits may be extended an unlimited number of times — work as long as you want, and we will back you up. Another advantage is preferential taxation: these specialists will be subject to a 13% personal income tax rate, just as for Russians.”

“Let us say that for us, an indicator of high qualification is the salary, which should be more than RUB 2 million per year. All other parameters are determined by the employer himself” (St. Petersburgh International Economic Forum, 2010, June 18b).

Alexander Zhukov, First Deputy Prime Minister: “In general, Russia is interested in much higher attraction of skilled labor. We understand very well that without this modernization of the economy, real modernization is impossible. And so we are open and ready to cooperate” (St. Petersburgh International Economic Forum, 2010, June 18b).
Session: “Doing Business in Russia: Red Tape Relief in Construction” -
June 18, 2010.

Summary.
Participants discussed the complicated system of obtaining construction permits in Russia. The proposal of making owners and developers to third parties and replacing government in this role was considered to be viable by the participants of the briefing (St. Petersburgh International Economic Forum, 2010 June 18b).

Moderator.
Alex Jean de Valukhoff, General Manager, Lafarge Cement Russia

Speakers.
1. Alexander Braverman, Director General, Russian Housing Development Foundation
2. Martin Shakkum, Chairman, Committee on Construction and Land Affairs, State Duma, Federal Assembly, Russian Federation
3. Veniamin Golubitsky, President, RENOVA StroyGroup
4. Leonid Kazinets, Chairman of the Board of Directors, BARKLI Corporation


Summary.
Russian government representatives and Russian and foreign entrepreneurs discussed the creation of the Russian innovation and technology hub in Skolkovo. Foreign participants praised the Russian government’s commitment to innovation and modernization and stressed the availability of highly - educated human resources in the country. The participants agreed that changes would not happen overnight, but
Skolkovo represents a good start to foster entrepreneurial culture in Russia (St. Petersburgh International Economic Forum, 2010, June 18a).

*Moderator.*

Arkady Dvorkovich, Aide to the President of the Russian Federation

*Speakers.*

1. Dr. Craig Barrett, Foreign Delegate Coordinator, Center for Development and Commercialization of New Technology, Skolkovo Foundation


*Key Statements.*

**Dr. Craig Barrett, Foreign Delegate Coordinator, Center for Development and Commercialization of New Technology, Skolkovo Foundation:** “Russia has too many wonderful universities and wonderful research institutions to try to concentrate everything in one spot. You have to build upon that inherent strength of Russia, its academic strength and its research strength, and we have to be able to tap into that virtually as well as physically” (St. Petersburgh International Economic Forum, 2010, June 18a).

**Viktor Vekselberg, Skolkovo Foundation CEO:** “Cisco has been one of the leaders of this process, and the director of Cisco is with us today. There is also MIT, with whom we have taken many steps towards forming a plan for cooperation. These companies, as well as Nokia, Siemens, Google, Microsoft, and the great Boeing are all considering getting involved in Skolkovo...” (St. Petersburgh International Economic Forum, 2010, June 18a).
John Chambers, CEO, Cisco: “Basically, I am betting on a market transition, I am betting on a country that I really believe in, and I am betting on the people who are leading it” (St. Petersburgh International Economic Forum, 2010).

Esko Aho, Board of Directors member, Nokia: “That is the reason why we started to look carefully at what Skolkovo is able to offer us because we believe that Russia can play a major role in creating a good ecosystem for software development and content development in the future. Our idea is that this center is going to be the home for our efforts in Russia” (St. Petersburgh International Economic Forum, 2010, June 18a).

Rafael Reif, Provost, MIT: “I can tell you that we have long admired the scientific and engineering accomplishments of Russia. And now Russia has this tremendous ambition to modernize its economy and to diversify it, and they want to add to their list of accomplishments, to move ideas from the research labs to the marketplace. I see tremendous potential there…” (St. Petersburgh International Economic Forum, 2010, June 18a).

Joe Schoendorf, Partner, Accel Partners: “I will summarize it this way — do not wait. You have the brilliance to get started, and while on one hand it is a great thing to attract a Cisco or a Google or an Intel or a Nokia to come here, I think the greater goal is something different, which is to build your own Nokia, to build your own Google, to build your own Cisco, and that is a long process” (St. Petersburgh International Economic Forum, 2010, June 18a).

MITEF Session: Unleashing Innovation in Russia - June 18, 2010.

Summary.

The panelists discussed the ways of transforming the Russian economy from commodity – based to knowledge – based. In her address to the session attendees,
Economic Minister Nabiulina said that innovation is one of the major priorities of the state policy. The participants talked about Russia’s potential for a change but also mentioned the obstacles that existed such as the lack of entrepreneurial culture and of human resources trained both in science and business management as well as the lack of protection for intellectual property. International participants noted that the Russian economy could not change overnight but it should be a gradual process (St. Petersburg International Economic Forum, 2010, June 18d).

RUSNANO CEO Anatoly Chubais listed some measures that either had already been taken or were being considered by the government: support for companies conducting initial public offerings through the Moscow Inter-bank Currency Exchange (MICEX), tax incentives, review of customs and corporate legislation, and an active role for RUSNANO in funding innovative projects (St. Petersburg International Economic Forum, 2010, June 18d).

The participants recommended developing an open economy, supporting a small business sector, tolerance to entrepreneurial failures as well as creating links between scientific research and business, and collaboration between the Russian scientific community and foreign researchers (St. Petersburg International Economic Forum, 2010, June 18d).

*Moderator.*

Vladimir Solovyov, TV presenter

*Speakers.*

1. Igor Agamirzyan, General Director, Russian Venture Company OJSC
2. Anatoly Chubais, CEO, RUSNANO
3. Richard Kivel, Chairman of the global Board of Directors, MIT Enterprise Forum, Senior Lecturer, MIT Sloan School of Management
4. Elvira Nabiullina, Minister of Economic Development, Russian Federation
5. John T. Preston, Founder and Managing Partner, C Change Investments, Senior Lecturer, MIT Entrepreneurship Center
6. L. Rafael Reif, Provost, Massachusetts Institute of Technology
7. William Savage, Vice President, General Manager of Software and Services Group, Intel Corporation
8. James Turley, Chairman and CEO, Ernst & Young
9. Vitaly Belik, Director, S-Group Capital Management
10. Ilya Dubinsky, Founder, Member of the Board of Directors, MITEF Russia
11. Renee J. James, Senior Vice President, General Manager of the Software and Services Group, Intel Corporation
12. Rashad Kaldany, Vice-president, IFC
13. Anatoly Karachinsky, President, IBS Group Holding
14. Natalya Kasperskaya, Chairman of the Board of Directors, Kaspersky Lab
15. Denis Kovalevich, Director, Department of Strategic Management, State Atomic Energy Corporation "Rosatom"
16. Nikolay Puntikov, Chairman of the Board, RUSSOFT

Key Statements.

Richard Kivel, Chairman of the global Board of Directors, MIT Enterprise Forum, Senior Lecturer, MIT Sloan School of Management: “I think some of the other reasons that have made it much more attractive for universities, for academic groups worldwide, for entrepreneurs and investors to come here is because they are
changing the ecosystem and the structure that exists here in Russia. They are implementing new laws and regulations to make it easier to start companies, easier to launch them and if they fail, easier to close them and start your next one” (St. Petersburgh International Economic Forum, 2010, June 18d).

*Anatoly Chubais, CEO, RUSNANO:* “We are discussing the new platform formed on the Russian MICEX stock exchange, which is called the RII – Russian Innovation and Investment Market. This is a specialized platform created for helping small innovation-oriented companies go public; this is its main aim and task” (St. Petersburgh International Economic Forum, 2010, June 18d).

*Rashad Kaldany, Vice-president, IFC:* “And so I’d like to confirm one can make good investments and make profits and even take them out. But I think it is also fair to say they continue to be challenges, and as Mr. Turley has indicated, it is not going to — changes and improvements won’t happen overnight although the direction is clearly positive.”

“Another one I’d like to cite is logistics here. Innovative companies need the speed and in logistics, the World Bank Index, Russia ranks 94 out of 155 countries. So the country needs to continue to focus on improving infrastructure” (St. Petersburgh International Economic Forum, 2010, June 18d).

*William Savage, Vice President, General Manager of Software and Services Group, Intel Corporation:* “Well, let me say we have so many engineers, so many scientists and technologists in Russia because that is a strength… But there are challenges about bringing things to a commercial result. Our own experience is that we need to do extra training to get senior managers to have a business perspective” (St. Petersburgh International Economic Forum, 2010, June 18d).
Natalya Kasperskaya, Chairman of the Board of Directors, Kaspersky Lab:

“. . . we have a lot of smart engineers who know how to invent things, but nobody who knows how to create businesses” (St. Petersburg International Economic Forum, 2010, June 18d).

Media Relations.

Forty-seven media outlets served as information partners during the forum. Foreign media partners included: CNBC (special media partner), Thomson Reuters, Bloomberg, CNN (information partners), The Financial Times and The Wall Street Journal (partners - newspapers).

The following press events were organized under the auspices of the forum:

- 10 press conferences
- 6 press briefings
- 2 live press events
- 1 press lunch.

Summaries, broadcasts and verbatim of all the SPIEF session are available on the forum website (St. Petersburgh International Economic Forum, 2010b).

Forum Communications Analysis

The forum provided Russian officials with a platform to communicate investment-friendly policies and improvements in the Russian economy. It also gave Russia and foreign businessmen an opportunity to voice their concerns, share their expertise and success stories of doing business in Russia. Statements made by many foreign investors endorsed the Russian government’s activities aimed at modernizing the economy.

The fact that innovations and investment were discussed both in the Presidential Address and in several panel sessions demonstrated the importance of the
issue for the Russian leadership. It increased the awareness of the media about
Russia’s economic priorities but also drew more attention to Russia’s problems as red
tape, corruption and infrastructure. In several sessions, the participants stressed that
Russia’s strength was highly educated human resources. It was not reflected in media
reports on the forum though.

**Media Coverage**

According to Lexis Nexis search and Google News search, the forum
generated 25 media mentions, among which there were 13 news articles, 5 interviews,
4 brief mentions, 2 opinion pieces and 1 editorial.

Ten of the media mentions were neutral towards Russia’s attractiveness as an
investment destination, 9 presented mixed views on the country’s investment potential
while 5 articles were positive, and 1 was negative.

The media that covered the event included Reuters (9 mentions), CNBC (4
mentions), Bloomberg (3 mentions), the New York Times (2 mentions), the Wall
Street Journal (2 mentions), Forbes (2 mentions), Investor’s Business Daily, AP, and
the Washington Post.

**Newsmakers.**

- Dmitry Medvedev, President of the Russian Federation – 10 mentions
- German Gref, chief executive of Sberbank – 2 mentions
- Klaus Mangold, chief Eastern Europe lobbyist for Germany’s BDI industry
group – 2 mentions
- Samuel Allen, CEO, Deere & Company – 2 mentions
- Vikram Pandit, Citigroup CEO
- Kingsmill Bond, chief strategist of Troika Dialog
- Darrell Stanaford, director of CB Richard Ellis in Russia
• John Mack, Morgan Stanley chairman
• Joe Schoendorf, a venture capitalist at Accel Partners
• Josef Ackermann, chief executive of Deutsche Bank
• Alexander Debelov, founder of Massachusetts-based Crelligence Media
• Arman Saakyan, Russian founder of Alliance Investment Group
• Igor Sechin, Deputy Prime Minister of the Russian Federation
• Jim O’Neill, Goldman Sachs analyst
• Viktor Khristenko, Industry Minister of the Russian Federation
• Jack Barbanel, managing director at Moscow-based Strategic Investment Group
• Viktor Vekselberg, Chairman of the Supervisory Committee of Renova Group and Skolkovo Foundation CEO
• Olli-Pekka Kallasvuo, Nokia CEO
• Charles Kupchan, Eurasia Group, a New York-based political risk consultant
• Dmitri Trenin, director of the Carnegie Moscow Center
• Frederic Oudea, chairman and chief executive officer at Societe Generale
• Alexei Kudrin, Finance Minister of the Russian Federation.

**Russian Regions.**

Among Russia’s investment destinations, Skolkovo was mentioned 3 times, Moscow region – twice, and Russian Caucasus (plan to build 5 ski resorts in the area) was mentioned once.

**Key Messages.**

1. Russia is trying to diversify its economy and reduce its dependence on oil.

2. President Dmitry Medvedev presided over the meeting with a well-received message: We’ve changed. We want foreign money.
3. Russia needs a real investment boom, Medvedev said. "Creating suitable conditions for investors is, in effect, our most important goal. Today we are putting this goal at the center of our activities."

4. President Medvedev promised to abolish taxes on capital gains and ease visa regulations for foreign investors, and to cut down on the number of Russian companies required to be state-owned.

5. The Russian government will create an investment fund within a year to help draw “strategic investors” by raising 3 rubles of private capital for each 1 ruble of state money, the president said. Russia will cut the number of so-called “strategic enterprises,” which are restricted for foreign investors, to 41 from 208, Medvedev said.

6. Weak legal protections, corruption, red tape and Russia’s vulnerability to commodity price volatility hinder investment.

7. Medvedev's plans don't appear to include any domestic political liberalization. The trend is toward less rather than more democracy; for example, large Russian cities have begun abolishing the direct election of mayors.

8. Medvedev asked billionaire Viktor Vekselberg, owner of holding company Renova Group, to oversee efforts to create a Russian version of Silicon Valley in the Moscow suburb of Skolkovo, where tax breaks and other incentives will be offered to lure investment to spur innovation and production of high-technology products.

9. The Kremlin is reviving the idea of turning Moscow into an international financial center.

**Investment Factors.**

Investment factors mentioned in the US media reports included:

- Taxation: favorable changes: – 8 mentions
• Restrictions on foreign business activity: decreasing – 6 mentions
• Corruption: high - 4 mentions
• Market potential: high – 3 mentions
• Bureaucracy/administrative barriers: high – 3 mentions
• Security: no – 2 mentions
• Risk of breach of contract by government: high
• Customs tariffs: unfavorable.

**Investment Factors Mentioned at the Public Diplomacy Event vs.**

**Investment Factors Mentioned in the U.S. Mass Media.**

*Table 4.3: Factors Mentioned at the SPIEF vs. Factors Mentioned in the U.S. Mass Media.*

<table>
<thead>
<tr>
<th>Factors</th>
<th>Mentioned at the Event</th>
<th>Mentioned in the Media</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positive</td>
<td>Favorable Taxation Changes</td>
<td>Favorable Taxation Changes</td>
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<tr>
<td></td>
<td>Government’s Commitment</td>
<td>Government’s Commitment</td>
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<tr>
<td></td>
<td>Decreasing Restrictions on Foreign Investment Activity</td>
<td>Decreasing Restrictions on Foreign Investment Activity</td>
</tr>
<tr>
<td></td>
<td>Well-educated Human Resources</td>
<td>High Market potential</td>
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<tr>
<td></td>
<td>Simplified Immigration Policy</td>
<td>Simplified Immigration Policy</td>
</tr>
<tr>
<td>Negative</td>
<td>Bureaucracy</td>
<td>Bureaucracy</td>
</tr>
<tr>
<td></td>
<td>Unfavorable Customs Tariffs</td>
<td>Unfavorable Customs Tariffs</td>
</tr>
<tr>
<td></td>
<td>Run-down Infrastructure/Logistics Problems</td>
<td>High Risk of Breach of Contract by Government</td>
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<tr>
<td></td>
<td>Lack of Intellectual Property Protection</td>
<td>Corruption</td>
</tr>
<tr>
<td></td>
<td>Weak Protection of Investors’ Rights</td>
<td>Unsecure Place</td>
</tr>
<tr>
<td></td>
<td>Lack of Entrepreneurial Culture</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Human Resources Poorly Trained in Science Mgmt</td>
<td>-</td>
</tr>
</tbody>
</table>
Media Coverage Analysis

The U.S. mass media stated that Russia is trying to reduce its dependence on oil and diversify its economy. They also cited Russian President saying that Russia needed foreign investment and it became the center point of Russia’s policy.

The U.S. media covered that Medvedev announced the implementation of investment-friendly policies as abolishing taxes on capital gains, easing visa regulations for foreign specialists and reducing the number of strategic enterprises restricted for foreign investment as well as establishing an investment fund to help draw strategic investors.

Media reports also mentioned Skolkovo, Russia’s innovation center being built near Moscow, and that such technology companies as Nokia and Cisco agreed to join the project.

However, the U.S. media mentioned Russia’s weak legal protections, corruption and bureaucracy as major problems that foreign investors faced in the country. Some reports stressed that the Russian leadership was trying to conduct modernization without any political changes, and the country was moving towards less democratization.

The author of the BRIC concept, Jim O’Neil of Goldman Sachs, wrote in a blog on Forbes.com that Russia was likely to stay among emerging economies of BRIC countries and had potential to grow. “The announced plans to develop Skolkovo as an equivalent to Silicon Valley is an especially interesting development and the success of this plan to boost Russia’s technology capabilities and innovation will be fascinating to observe,” he wrote (O’Neil, 2010). Commenting on the Russian government’s communication with foreign investors, Darrell Stanaford, the director in
Russia for CB Richard Ellis, the global real estate firm, said “International investors are engaging, and being engaged” (The New York Times, June 18, 2010).
Case Study 4: Russian President’s Visit to the United States

Background

One of the major events in Russian public diplomacy to attract U.S. investment was the official visit of Russian President Dmitry Medvedev to the United States on June 23 – 25, 2010. It started with a trip to Silicon Valley and included a few meetings with the representatives of the Russian and American business community.

During the visit, Medvedev visited the offices of Cisco Systems, Apple Inc., Twitter Inc., and Yandex Labs in Silicon Valley. In his speeches, he mentioned the Russian innovation center near Moscow and invited American businessmen to cooperate in its development.

Case Study Objectives

The case study has the following objectives:

1. To identify the players of Russia’s public diplomacy to attract U.S. investment.

2. To describe the specifics of the public diplomacy activity: major theme, program, audiences, speakers, and key messages communicated.

3. To identify the amount of the media coverage of the event and its specifics: media outlets, scope of mention, favorableness of media coverage, newsmakers, and key messages communicated.

4. To evaluate the effectiveness of media relations at the events for improving Russia’s image as an investment destination.
Programming

Theme.

The major theme of the Russian president’s visit to the United States was the increase in Russia-U.S. cooperation with special emphasis on trade and economic relations between the countries. It also provided the Russian delegation with an opportunity to present the Russian innovation center project to the American business community and invite them to invest in it.

Organizers.

The trip was the official visit of the Russian President to the U.S..

Partners.

The meeting with the U.S. and Russian business leaders was organized in cooperation with the U.S. -Russia Business Council, the American Chamber of Commerce in Russia and the U.S. Chamber of Commerce.

Participants.

1. Russian expats working in Silicon Valley.
2. Representatives of U.S. public, academic and business communities at Stanford University.
3. American and Russian business community representatives.

Events.

Meeting with Governor Schwarzenegger - June 23, 2010.

Summary.

The visit started with the meeting between the Russian President and Governor of California Arnold Schwarzenegger. Schwarzenegger expressed his willingness to assist Russia with developing the innovation center and bring a trade delegation of
American venture capitalists to Moscow (Press Service of the President of the Russia, 2010, June 23b).

Key Statements.

Arnold Schwarzenegger, California Governor: “Now we know that you are here because you want to visit some of the high-tech companies in Silicon Valley, and because you want to create, which you have announced in March, a hub outside of Moscow in order to create more diversification in your economy” (Press Service of the President of the Russia, 2010, June 23b).

Dmitry Medvedev, President of the Russian Federation: “But this is not a simple excursion. My aim in going there is not simply to see how everything is organized. My hope is that this visit will help to establish full-fledged relations that we can then build up into solid cooperation” (Press Service of the President of Russia, 2010, June 23b).

Visits to Twitter Inc., Cisco, Apple Inc. and Yandex Labs - June 23 – 24, 2010

Summary.

President Medvedev’s tour of Silicon Valley began with a visit to the offices of Twitter Inc., where he opened an official Twitter account in Russian – @KremlinRussia, and in English – @KremlinRussia_E (Press Service of the President of Russia, 2010, June 23a).

The Russian President oversaw the signing of an agreement of mutual understanding between the Foundation for Development for the Skolkovo center and Cisco Systems, Inc. The parties expressed commitment to cooperation in developing and implementing information and communication technologies. Cisco pledged to
invest $1 billion over ten years in technology projects in Russia (Press Service of the President of Russia, 2010, June 23d).

At Apple Inc. offices, Medvedev met with the company’s CEO Steve Jobs (Press Service of the President of Russia, 2010, June 23c).

At the Silicon Valley branch of the Russian company Yandex. CEO Arkady Volozh and branch manager Arkady Borkovsky told the president about company operations in Silicon Valley (Press Service of the President of Russia, 2010, June 24e).

**Meeting with Expats Working in Silicon Valley - June 24, 2010.**

*Summary.*

The meeting focused on the Skolkovo innovation center, and the Russian President asked participants to share their views on the activities necessary to implement the project successfully. Medvedev supported the idea of setting up a branch of the innovation centre in Silicon Valley (Press Service of the President of Russia, 2010, June 24d).

**Meeting with the Representatives of U.S. Public Organizations and Academic and Business Circles at Stanford University - June 24, 2010.**

*Summary.*

Dmitry Medvedev gave a speech at Stanford University. The audience included the representatives of U.S. public organizations and academic and business circles (Press Service of the President of Russia, 2010, June 24b).

In his opening remarks, the Russian President described the main challenges facing Russia. He emphasized 10 premises of what is important for contemporary Russia: 1) talented people through educational reform; 2) full access to information through spreading broadband Internet; 3) enforcement of property rights; 4)
innovative development and energy efficiency; 5) strong financial system, 6) public health through a health care reform; 7) further democratization through party system development and reforming the judicial system as well as 8) stability, 9) being a predictable foreign policy partner and 10) implementing a future oriented foreign policy. Medvedev answered to questions about Skolkovo potential, Russian healthcare and Russia's relations with Georgia (Press Service of the President of Russia, 2010, June 24b).

Key Statements.

*Dmitry Medvedev, President of the Russian Federation:* “I would like to invite everyone present here today to work with Russia: those colleagues I have met today, the people who believe in Russia's intellectual potential or those who, in fact, are part of that intellectual potential, those professionals who can share their knowledge with us and in return get new experience in a rapidly-growing county which, I hope, will be ready to respond to all modern challenges” (Press Service of the President of Russia, 2010, June 24b).

Meeting with U.S. President Obama - June 24, 2010.

Summary.

Russian President Dmitry Medvedev and President of the United States Barack Obama discussed bilateral economic cooperation and Russia’s accession to the World Trade Organization at a meeting in Washington, D.C (Press Service of the President of Russia, 2010, June 24).

The presidents discussed Medvedev’s visit to Silicon Valley and addressed such international agenda issues as Iran’s nuclear program, North Korea, the Middle East peace process, and the situation in Kyrgyzstan (Press Service of the Administration of the President of the Russian Federation, 2010, June 24a).
After the meeting, Medvedev and Obama issued 10 joint statements, one of which was concerned with the U.S. – Russia cooperation in innovation. Following the meeting, the presidents held a joint news conference (Press Service of the President of Russia, 2010, June 24a).

**Key Statements.**

*Barack Obama, President of the United States:* “…I committed to resetting the relationship between our two nations, and in President Medvedev I’ve found a solid and reliable partner.”

“To deepen Russia’s integration into the global economy, I reaffirmed our strong commitment to Russia’s ascension to the World Trade Organization. Today we’ve reached an agreement that will allow the United States to begin exporting our poultry products to Russia once again.”

“Mr. President, the United States will be your partner as you promote the transparency and accountability and rule of law that’s needed to infuse this spirit of innovation throughout your economy” (Press Service of the President of Russia, 2010, June 24a).

*Dmitry Medvedev, President of the Russian Federation:* “We are now creating near Moscow our own version of Silicon Valley, the innovation centre in Skolkovo, and hope that our American partners will participate actively in bringing this project to life. We have already some good groundwork for that.”

“There are still some areas where we have to make significant changes to the situation – I am referring to the investment climate – and stimulate our businesspeople to be more aware of one another, investing money into our economies” (Press Service of the President of Russia, 2010, June 24a).

Summary:

During the meeting with Russian and American business representatives at the U.S. Chamber of Commerce, Obama and Medvedev stressed the importance of further development of U.S.-Russia business cooperation. Russian President Medvedev mentioned the Skolkovo project and invited American entrepreneurs to work with Russia on the creation of the innovation center (Press Service of the President of Russia, 2010, June 24c). U.S. Commerce Secretary Gary Locke and Minister of Economic Development of Russian Federation Elvira Nabiullina, U.S. Trade Representative Ron Kirk, as well as U.S. Ambassador to Russia John Beyrle and Russian Ambassador to the U.S. Sergey Kislyak were present at the event.

Prior to the meeting with the presidents, U.S. and Russian business executives gathered at the U.S. Chamber of Commerce to discuss ideas for deepening U.S.-Russia business relations.

On the margins of the U.S.-Russia Business Summit, several American and Russian companies and institutions signed agreement including:

- Boeing and Rostec: Rostec has agreed to purchase 50 Boeing 737 aircraft and extended by five years a purchase agreement by which Rostec subsidiary VSMPO-AVISMA supplies titanium to Boeing.

- Boeing signed a Memorandum of Understanding with the Skolkovo Foundation to help establish a research and development operation at the Skolkovo innovation center.
• U.S. engine manufacturer Cummins and Russian truck-builder Kamaz committed to expanding their cooperation to include the joint production of a lower-emission engine in Russia.

• The Massachusetts Institute of Technology (MIT) inked an agreement with the Skolkovo Foundation to estimate opportunities for MIT to conduct educational and research activities in Russia in collaboration with its leading universities and research institutes (U.S. Department of Commerce, 2010).

On the last day of his visit to the U.S., Medvedev met with the members of the Senate and the House of Representatives (Press Service of the President of the Russian Federation, 2010, June 25).

**Media Relations.**

The transcripts of the Russian President’s speech at Stanford University, his meetings with the Russian expat community in Silicon Valley and a news conference with President Obama are available online on http://www.en.kremlin.ru and http://www.whitehouse.gov/the-press-office.

**Forum Communications Analysis**

The Russian President’s visit became one of the major public diplomacy activities that raised the awareness of investment opportunities in Russia for American businessmen, especially of the opportunities at the Skolkovo innovation center.

The fact that the visit started with a trip to Silicon Valley demonstrated that the priorities of the Russian government in the Russian – U.S. relations laid in business cooperation between the countries. At meetings with U.S. officials as Governor Schwarzenegger and President Obama, Medvedev was able to win their support and public endorsement of Skolkovo and modernization in Russia, in general.
Media Coverage

As Lexis Nexis search and Google News search demonstrated, the Russian President’s visit garnered 57 mentions in the U.S. mass media, among which there were 33 news articles, 11 brief mentions, 5 opinion pieces, 4 interviews, 3 feature stories, and 1 editorial. Thirty-five of the media stories were neutral in their coverage of Russia’s investment climate, 15 presented mixed views, 6 were positive, and one report was negative.


Newsmakers.

The newsmakers cited in the U.S. media reports included:

- Dmitry Medvedev, President of the Russian Federation – 16 mentions
- Barack Obama, President of the United States – 10 mentions
- Ben Rhodes, director of strategic communications on the National Security Council – 5 mentions
- Chris Weafer, chief strategist at Russian bank Uralsib – 3 mentions
- Arkady Dvorkovich, aide to the President of the Russian Federation – 4 mentions
- Michael McFaul, Obama’s adviser on Russia – 4 mentions
- John Chambers, Cisco's chief executive – 3 mentions
• Edward Verona, president & CEO of the U.S.-Russia Business Council – 2 mentions
• Sam Charap, a Russia analyst at the Center for American Progress – 2 mentions
• Anatoly Chubais, RUSNANO CEO – 2 mentions
• Viktor Vekselberg, CEO of Skolkovo Foundation- 2 mentions
• Alexei Fyodorov, CEO of Moscow-based United Aircraft Corp – 2 mentions
• Sergei Prikhodko, foreign policy aide of President of Russian Federation – 2 mentions
• Brian Jacobs, managing director of Emergence Capital Partners
• Igor Shuvalov, Deputy Prime Minister of Russian Federation
• Andrey Sharonov, former deputy minister for economic trade and development of Russian Federation
• Philip Hanson, professor of Russian economics at the University of Birmingham and an associate fellow of Chatham House
• Natalia Orlova, chief economist at Alfa Bank
• Jerome Booth, head of research at Ashmore Investment
• Mark Mobius, executive chairman of Templeton Asset Management
• Peter Westin, chief economist at the Aton brokerage in Moscow
• Herbert Moos, the chief financial officer of VTB Group
• Charles Hecker, representative of Control Risks, an international risks consultancy
• Vitaly Yermakov, a director at Cambridge Energy Research Associates
• Laura Brank, representatives of Dechert LLP
• Thomas Gomart, director of the Russia Center at the French Institute on International Relations in Paris
• Paul Mountford, Cisco president of emerging markets
• Irakli Menabde, representative of I2BF and founder of M2 Capital Partners
• Robert Gibbs, White House Press Secretary
• Anders Aslund, a Russia specialist at the Peterson Institute for International Economics in Washington
• William Browder, Hermitage Fund founder
• Lilia Shevtsova, an analyst at the Carnegie Moscow Center
• Toby Gati, a strategic adviser to companies working in Russia
• Eric E. Schmidt, CEO of Google
• Klaus Kleinfeld, the chairman of Alcoa and of the U.S.-Russia Business Council
• Masha Lipman, a longtime political observer with the Carnegie Moscow Center
• Arkady Volozh, CEO of Yandex
• Esther Dyson, a longtime tech investor in Russia
• Biz Stone, Twitter co-founder
• Vladimir Averchev, representative of the Council on Foreign and Defence Policy in Moscow
• Andrew Kuchins, Russia expert at the Center for Strategic and International Studies
• Matthew Rojansky, representative of the Washington-based Carnegie Endowment for International Peace
• Maxim Medvedkov, Russia’s chief WTO negotiations
• Kathryn Stoner-Weiss, a senior research scholar who studies Russian politics at Stanford University
• Darrell West, director of governance studies at the Washington-based Brookings Institution
• Steven Weber, director of the Institute of International Studies at the University of California, Berkeley
• Arnold Schwarzenegger, Governor of California
• Elvira Nabiullina, Minister of Economic Development of the Russian Federation
• Sergey Lavrov, Minister of Foreign Affairs of the Russian Federation
• Craig Barrett, Foreign Delegate Coordinator, Center for Development and Commercialization of New Technology of Skolkovo
• Alexander Shokhin, president of the Russian Union of Industrialists and Entrepreneurs
• Mikhail Margelov, chairman of the Foreign Affairs Committee in Russia’s upper house of parliament
• Robert Hormats, U.S. undersecretary of state for economics, energy and agriculture
• Dmitry Krol, spokesman for Boeing in Moscow
• Kevin Kabumoto, spokesman for the U.S. Embassy in Moscow
• Mikhail Gorbachev, first Soviet Union President.

Key Messages.

1. U.S. President Barack Obama said the United States and Russia are committed to expanding commercial ties, and Russian President Dmitry Medvedev said he wants to remove all obstacles to trade and investment in his country.
2. Obama said the U.S. would work to advance plans for Russia’s entry into the World Trade Organization.

3. Medvedev is seeking to expand and modernize Russia’s economy to lessen its dependence on oil, gas and metals.

4. Medvedev, who visited California’s Silicon Valley before arriving in Washington, said he hopes that American companies would participate in an effort to establish a high-technology center outside in the Moscow.

5. Obama pledged that the U.S. would act as a “partner” with Russia to create a high-technology hub, as Russia simultaneously promotes “transparency, accountability and rule of law” as it applies to investments there.

6. The image of the two youthful leaders lunching on burgers and the lack of headlines signified a new development in U.S. – Russia relations and brought more business-type relations.

7. During Medvedev's visit to the headquarters of Cisco Systems Inc., the company pledged to invest $1 billion over ten years in technology projects in Russia.

8. Russia has a massive domestic market. The companies that have gone there found a huge demand for the American brands.

9. Although Medvedev and his team have made battling corruption and a modernization drive the cornerstones of the presidency, critics claim that little has changed. Russia remains a difficult place to set up a new business: confusing web of bureaucracy, corruption and bribery.

10. The cases of Mikhail B. Khodorkovsky, William F. Browder and Robert Dudley demonstrate the absence of rule of law in the country.
11. Russia’s deeper challenge is in representative government, civil liberties, property rights and true federalism.

12. After its energy-dependent economy shrank by 7.9 per cent last year, Russia is wooing investment. While it may be successful at attracting large portfolio flows, foreign direct investment, bringing vital technology and skills, continues to lag.

**Russian Regions.**

The Skolkovo innovation center was mentioned in 25 media reports.

**Investment Factors.**

The investment factors mentioned in the U.S. media included:

- Corruption: high – 14 mentions
- Well-functioning legislature: no – 7 mentions
- Bureaucracy: high – 5 mentions; moderate – 1 mention
- Taxation: favorable changes – 3 mentions
- Risk of breach of contract by government: high – 2 mentions
- Security: no – 2 mentions
- Innovative human resources: yes – 1 mention, no – 1 mention
- Well-educated human resources: yes – 1 mention, no – 1 mention
- Infrastructure: developed
- Immigration policy: favorable.
Investment Factors Mentioned at the Public Diplomacy Event vs.
Investment Factors Mentioned in the U.S. Mass Media.

Table 4.4: Factors Mentioned During Russian President Medvedev’s Visit to the U.S. vs. Factors Mentioned in the U.S. Mass Media.

<table>
<thead>
<tr>
<th>Factors</th>
<th>Mentioned at the Event</th>
<th>Mentioned in the Media</th>
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<tbody>
<tr>
<td><strong>Positive</strong></td>
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<tr>
<td>Government’s Commitment</td>
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<td>Government’s Commitment</td>
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<td>Improved Ties Between Russia and the U.S.</td>
<td>Improved Ties Between Russia and the U.S.</td>
<td>Favorable Taxation Changes</td>
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<td>Favorable Taxation Changes</td>
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<td>Favorable Immigration Policy</td>
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<td>Favorable Immigration Policy</td>
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<td>Innovative Human Resources</td>
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<td>Well-educated Human Resources</td>
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<td>-</td>
<td>High Market Potential</td>
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<td><strong>Negative</strong></td>
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<tr>
<td>Problems with Intellectual Property Rights</td>
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<td>Corruption</td>
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<td>Poorly-functioning Legislature</td>
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<td>Not Innovative Human Resources</td>
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<td>Not Well-educated Human Resources</td>
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<td>-</td>
<td>High Risk of Breach of Contract by Government</td>
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<td>Unsecure</td>
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<td>-</td>
<td>Bureaucracy</td>
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**Media Coverage Analysis**

Since the Russian President’s visit to the United States was only a week later than the St. Petersburg International Economic Forum (SPIEF), it increased the publicity of Russia’s modernization and innovation initiatives. Reporting on Medvedev’s trip to Silicon Valley, the U.S. media often referred to the investment –
friendly policies announced at the SPIEF such abolishing capital gains taxation and simplified migration procedures for highly-skilled professionals.

The U.S. media reported that the Russian government was trying to reduce the country's dependence on commodities and improve the investment climate. Almost half of the reports generated by Medvedev’s visit mentioned the Skolkovo project. Much publicity was garnered by the news that the Russian President opened a Twitter account at Twitter Inc. headquarters. The announcement of Cisco’s decision to invest $1 billion in Russia over the next 10 years also attracted the attention of the U.S. media and served as an example of Russia’s investment promotion success. Cisco’s CEO, John Cambers, was cited saying, "He (Medvedev) is remarkably open. I mean, business leaders go back and forth with him. It took me almost off guard” (Henderson, 2010, June 23).

The meeting between the Russian and U.S. presidents at the White House on June 24, 2010, generated media reports on U.S. support of Russia’s accession to the WTO and lifting restrictions that have hindered U.S. poultry exports to Russia. The media also reported on a different style of relations – more business-type - between the Russian and American leaders in contrast to the Bush – era. Obama and Medvedev casually lunching on burgers made national and international headlines.

Good relations between the presidents were presented as a start for better business relations and more cooperation between the U.S. and Russia. Kleinfeld, Alcoa’s President, was cited saying “the two leaders are really getting along very well; there’s a lot of progress on the political front.” “Business will now follow” (Calmes, 2010, June 24).

However, increased publicity of Russia’s innovation and investment initiatives brought more media attention to the problems of corruption, bureaucracy and lack of
protection of intellectual property rights. Media mentioned that the non-governmental organization, Transparency International, rated Russia 146th out of 180 countries in its 2010 Corruption Perception Index.

Russian President Medvedev was criticized for trying to modernize Russia without changing any political foundations. Media reported that Medvedev had not much success with fighting corruption and curtailing bureaucracy in Russia. Opposing this view, Arkady Dvorkovich, aide to President Medvedev, in an interview to the Wall Street Journal, said that they passed laws making it harder for government employees to shake down businesses and individuals (Iosebashvili, 2010, July 1).

Lilia Shevtsova, an analyst at the Carnegie Moscow Center, commented on foreign investment in Russia saying that “western capital helps to support the status quo.” “It injects financial and technological Viagra to the existing system” (Baker, 2010, June 22).

William Browder, Hermitage Fund founder, was quoted saying “My advice to U.S. technology companies is to steer clear of Russia because it’s insanity to go there. They not only will risk their money, but also the lives of their employees” (Baker, 2010, June 22).

The alternative view on foreign investment in Russia was presented as well. Google’s Eric Schmidt was quoted saying that “the presence of such technical companies, especially with foreign partnerships, are a great way to get the openness, transparency and societal change needed for the Russians to continue their development into a modern first-world government” (Baker, 2010, June 22).
Case Study 5: Global Innovation Partnerships Forum

Background


The forum was aimed at building and developing relationships between Russian innovative and technology businesses and the representatives of the U.S. venture business. Total, more than 1,000 Russian entrepreneurs, CEOs and owners of major Russian corporations attended the forum events (Global Innovation Partnerships Forum, 2010, October 18).

Case Study Objectives

The Global Innovation Partnerships Forum case study has the following objectives:

1. To identify the players of Russia’s public diplomacy to attract foreign U.S. investment.

2. To describe the specifics of the public diplomacy activity: major theme of the event, program, audiences, speakers, and key messages communicated.

3. To identify the amount of the forum’s media coverage and its specifics: media outlets, scope of mention, favorableness of media coverage, newsmakers, and key messages communicated.
4. To evaluate the effectiveness of media relations at the event for improving
Russia’s image as an investment destination.

Programming

Theme.

The overall theme of the event was the creation of Russian innovative
technology business based on the experience of Silicon Valley leaders. The forum
provided Russian businessmen with opportunities to interact with U.S. venture
investors. It also showcased Russia’s innovation infrastructure such as the Skolkovo
project and Russian organizations involved in innovation development.

Organizers.

- RUSNANO, an open joint-stock company dedicated to formulating and
  implementing governmental policy on innovation in the nanotechnology
  sector.
- Russian Venture Company (RVC), a government venture fund of funds.
- Skolkovo Foundation, an organization responsible for creating the Russian
  innovation center in Skolkovo.
- Investment and Venture Fund of the Republic of Tatarstan (IVFRT), a state-
  backed non-profit organization aimed at spurring innovative development in
  Tatarstan.
- The Global Technology Symposium, the leading investment conference on
  venture capital, technology, and entrepreneurship in emerging markets.
- SVB Financial Group, a company providing diversified financial services to
  emerging, growth and established technology companies and the life science,
  venture capital and premium wine markets (Global Innovation Partnerships
  Forum, 2010a).
Partners.

- Ernst & Young, one of the leading global companies in assurance, tax, transaction, advisory services and strategic growth markets.
- PriceWaterhouseCoopers, one of the leading global companies specializing in audit and assurance, tax and advisory services.
- U.S. - Russia Business Council, a Washington-based trade association that provides business development, dispute resolution, government relations, and market intelligence services to its American and Russian member companies.
- VTB Capital, a Russian-based firm with offices in Moscow, London, and Singapore that focuses on arranging operations in debt and equity markets, advising clients on ECM, DCM and M&A deals in Russia and abroad, and developing private investment, as well as operations on the global commodities markets and asset management.
- Eka-Tour, a tour company providing services in ticketing and providing vouchers for domestic and international hotels (Global Innovation Partnerships Forum, 2010b).

Among the forum’s media partners, there were no U.S. media.

Participants.

The Silicon Valley Trade Delegation consisted of the representatives of the leading American companies and venture investors:

1. Craig Barrett, From 2005-09 was chairman of the board of Intel Corporation
2. Carlo D'Aasro Biondo, Manager of Google’s business in Southern and Eastern Europe, the Middle East, and Africa
3. Alfonso Di Ianni, Vice President for Oracle Corporation for the Eastern Europe and the Commonwealth of Independent States Region
4. Donald Dixon, Senior Managing Director of Trident Capital
5. Dixon Doll, Co-Founder and General Partner of DCM
6. Skip Fleshman, Partner at Asset Management Company
7. Will Fox, Deputy Chief of Staff for Operations in the office of California Governor Arnold Schwarzenegger
8. Mark Gorenberg, Managing Director of Hummer Winblad Venture Partners
9. Lorraine Hariton, U.S. State Department’s Special Representative for Commercial and Business Affairs
10. Jeffrey Henley, Chairman of Oracle Corporation
11. Alexandra Johnson, Managing Director of DFJ-VTB Aurora and President of the Global Technology Symposium
12. Eric Johnson, Managing Director at Cambridge Associates, in the firm's Menlo Park, California office
13. Franklin Pitch Johnson, Co-founded Draper and Johnson Investment Company, Funded Asset Management Company
14. Dick Kramlich, General Partner and Co-Founder of New Enterprise Associates (NEA)
15. Bill Kurtz, Chief Financial Officer and Chief Commercial Officer of Bloom Energy
16. Dan'l Lewin, Corporate Vice President, Strategic and Emerging Business Development, at Microsoft Corporation
17. Deven Parekh, Managing director and partner at Insight Venture Partners
18. Richard Paulson, General Manager, Central and Eastern Europe, for Amgen
19. Aymeric Sallin, Founder and CEO of NanoDimension
20. Scott Sandell, General Partner of New Enterprise Associates (NEA)
The Governor of California, Arnold Schwarzenegger, led the Silicon Valley Trade Delegation (Global Innovation Partnerships Forum, 2010c).

The forum featured the following events as an official meeting between Russian President Medvedev and California Governor Schwarzenegger, briefings with Minister of Economic Development Nabiullina and Minister of Education Fursenko, Skolkovo presentation, a panel discussion at the Russian Venture Company, a visit to RUSNANO office, and a trip to Kazan, Tatarstan (Global Innovation Partnerships Forum, 2010, October 18).

Events.

**Official Meeting Between President Medvedev and Governor Schwarzenegger.**

**Key Statements.**

*Arnold Schwarzenegger, governor of California:* “And it was wonderful to see the President’s great enthusiasm about technology, high technology, green technology… And I really enjoyed to meet someone that is a visionary, someone that has a very clear vision of the direction Russia ought to go. And one of the visions was to build a Silicon Valley type of an area and campuses in Skolkovo.”

“And I know that Russian technology and the extraordinary mind of innovation and everything, together with the Californians, I think, we could really create a great miracle here, a great boom in that industry” (Press Service of the President of Russia, 2010, October 11a).
**Medvedev and Schwarzenegger Address Global Innovation Partnerships**

**Forum – October 11, 2010.**

**Key Statements.**

*Dmitry Medvedev, President of the Russian Federation:* “The center being developed near Moscow will offer a test model for creating innovative companies and provide experience that must then be spread throughout the country. But before anything, Russia needs to build a modern and effective model that really works, and this is what Skolkovo is all about” (Press Service of the President of Russia, 2010, October 11b).

Medvedev also said he hopes that the special legal, administrative, tax and customs rules that will apply to the innovation center, and also the simplified immigration procedures for foreign specialists will contribute to the project’s rapid and active development (Press Service of the President of Russia, 2010, October 11b).

*Dmitry Medvedev, President of the Russian Federation:* “We can learn from the enthusiasts who perhaps invest not always such large amounts of money but create completely new products” (Press Service of the President of Russia, 2010, October 11b).

*Arnold Schwarzenegger, Governor of California:* “I was hosting part of his trip to California, and took him around to some of those high-tech companies in Silicon Valley, and I saw right away that he was very interested in doing the same thing in Moscow, here in Skolkovo, to create a Silicon Valley, and was basically looking for partnerships, because there are tremendous, great scientists in Russia, and great innovation in Russia, but we always are much better when we form partnerships” (Press Service of the President of Russia, 2010, October 11b).
Arnold Schwarzenegger, Governor of California: “I think that President Medvedev is a great visionary. He has very clear visions of which direction Russia should go and how you have to diversify your economy, and we are very happy to help with this process because, like I said, we are the best in the world when it comes to this – when it comes to biotech, nanotech, high-tech, green-tech, there’s no one that is like us” (Press Service of the President of Russia, 2010, October 11b).

Dmitry Medvedev, President of the Russian Federation: “Corruption is a universal problem; it is not just a problem in Russia – corruption exists everywhere. But our problem is that, unfortunately, corruption is not considered shameful in our country, it is part of everyday life and that is what makes a big difference. We need to overcome this gap” (Press Service of the Administration of the President of Russia, 2010, October 11b).

Briefings with Ministers Nabiullina and Fursenko – October 11, 2010.

Summary.

Russia’s Minister of Economic Development Elvira Nabiullina and Minister of Education & Science Andrey Fursenko gave a presentation on Russia’s economic and education potential. They had a confidential Q&A session with the forum’s participants and discussion about what could be done to make the venture into Russian innovation industry more comfortable for foreign investors and local market players. The Silicon Valley delegation suggested adopting laws that would regulate venture investment (Global Innovation Partnerships Forum, 2010, October 18).


Summary.

Presentation of the Skolkovo project was one of the key highlights of the forum. Viktor Vekselberg, Skolkovo Foundation CEO, said that project funding
would come both from the state and private enterprise (Global Innovation Partnerships Forum, 2010, October 18).

**Panel Discussion at the Russian Venture Company – October 12, 2010.**

**Summary.**

The Russian Venture Company invited the Silicon Valley delegates to participate in a panel discussion, during which they had a chance to meet with the representatives of Russian venture and financial institutions, including the VTB Venture Capital Fund, Maxwell Biotech, Almaz Capital Partners, ABRT Venture, and Bioprocess Capital Ventures (Global Innovation Partnerships Forum, 2010, October 18).

The event also featured the presentation of Russian startups with potential for development on international markets, such as Russian Navigation Technologies, Spectralus, Innalabs, and Nano-Optic Devices, etc. The goal of the panel discussion was to introduce the young Russian venture industry to the U.S. delegates and provide them with a communication platform to start a dialogue (Global Innovation Partnerships Forum, 2010, October 18).

**Visit to RUSNANO Office – October 12, 2010.**

**Summary.**

The U.S. delegation was invited to visit the RUSNANO State Corporation office to discuss potential joint projects with Silicon Valley investors. “These were substantive and encouraging meetings,” RUSNANO CEO Anatoly Chubais was cited in a press release. “We looked at several types of collaboration” (Global Innovation Partnerships Forum, 2010, October 18).
Visit to Tatarstan – October 13, 2010.

Summary.

The U.S. delegation's trip to Kazan, Tatarstan, featured a visit to the Idea technopark and a round table that included a presentation on Tatarstan’s investment potential and startups supported by the Investment and Venture Fund of the Republic of Tatarstan (Global Innovation Partnerships Forum, 2010, October 18).

Key Statements.

Rustam Minnikhanov, the President of the Republic of Tatarstan: “We have a lot to learn from U.S. investors… I’m confident that Tatarstan will be among the Russian pilot regions for implementing high-tech cooperation projects” (Global Innovation Partnerships Forum, 2010, October 18).

Ainur Aideldinov, Director of the Investment and Venture Fund of the Republic of Tatarstan: “The innovative projects developed in Tatarstan are becoming increasingly attractive. On their trip to Tatarstan businessmen from the Silicon Valley delegation saw that our region has the necessary infrastructure for developing innovations” (Global Innovation Partnerships Forum, 2010, October 18).

Media Relations.

The forum organizers created the website www.globalinnovationpartnerships.ru that featured information about the event, its goals as well as press and photo releases.

The website has the following press releases:

- 2 announcement of the trade mission, September 14 and October 6
- Press release: Russian Venture Company hosts 2010 Silicon Valley Trade Delegation to Russia, October 12
- Press release: Silicon Valley Trade Delegation Visit to Kazan, October 13
• Press release summarizing the forum results, October 18.

Russian Venture Company General Manager Igor Agamirzian and Viktor Vekselberg, President and Co-Chairman of the Skolkovo Foundation commented on the results of the forum in the final press release (Global Innovation Partnerships Forum, 2010, October 18).

*Igor Agamirzian, Russian Venture Company General Manager* : “The Global Innovation Partnerships forum was certainly a success for us. In Moscow and Kazan, the two most ancient Russian cities, the energy of the young Russian innovative industry met the experience of high-tech entrepreneurs of the Silicon Valley. Several innovative projects showcased by Russian companies sparked interest of our U.S. guests” (Global Innovation Partnerships Forum, 2010, October 18).


Photo releases presented on the website include:

• Photo release of the press conference “Announcement of the visit of the 2010 Silicon Valley Trade Delegation to Russia”, October 6

• Photo release of the reception at the Spaso House (U.S. Embassy in Moscow, Russia), October 10

• Photo release of briefing and discussion with Elvira Nabiullina, Russian Minister of Economic Development, and Andrey Fursenko, Russian Minister of Education, October 11

• Photo release of the reception with representatives of leading Russian businesses hosted by Skolkovo Foundation, October 11
• Photo release of meeting between 2010 Silicon Valley Trade Delegation headed by California Governor Arnold Schwarzenegger and President of Russia Dmitry Medvedev, October 11

• Photo release of Global technology partnership in joint projects, October 12 (Global Innovation Partnerships Forum, 2010c).

**Forum Communications Analysis**

The event was aimed at promoting Skolkovo, Russian future innovation and technology hub. Another Russian investment destination presented to the member of the Silicon Valley trade delegation and the media was Kazan, Tatarstan. Addressing the delegation headed by California governor Schwarzenegger, Russian President Medvedev stressed the government’s commitment to modernization and innovation and the importance of advice that Silicon Valley leaders could provide. Schwarzenegger praised the Russian leader and Russia’s potential to become a technological leader. Medvedev though mentioned Russia’s problems with corruption and that not everyone in the Russian business community was ready for a change. Schwarzenegger spoke about the importance of partnering with Russia on innovation and technological development.

Some of the events at the forum as briefings with ministers Nabiullina and Fursenko were confidential and not open to the media. No statements resulting from those briefings were provided to the media.

Press releases highlighting the forum events had mostly quotes of Russian officials not members of the Silicon Valley trade delegation. Those quotes were not mentioned in the U.S. media reports besides the statement made by Schwarzenegger.
Media Coverage

The forum garnered 15 mentions in the media, among which 11 were news articles, 3 – brief mentions, and 1 – opinion piece.

The majority of the media mentions – 8 were neutral, 5 were negative, and 2 presented mixed views on Russia as an investment destination.


Newsmakers.

• Arnold Schwarzenegger, California governor – 7 mentions
• Alexandra Johnson, head of Global Technology Symposium and a member of the U.S. delegation – 3 mentions
• Dmitry Medvedev, President of the Russian Federation - 2 mentions
• Andre Geim, researcher, Noble Prize winner -2 mentions
• Craig Barrett, Former Intel Corp. head
• Faysal Sohail, director CMEA Capital in San Francisco
• John T. Connor Jr., founder and portfolio manager of the Third Millennium Russia Fund
• Dmitri V. Trenin, director of the Carnegie Moscow Center
• Andrei Malafeyev, a spokesman for state-run Russian Nanotechnologies Corp.
• Irina Yasina, the Institute of Transition Period Economy.

Russian Regions.

Among Russia’s investment destinations, Skolkovo was mentioned 11 times and Kazan was featured in only one of the reports.
Key Messages.

1. Russian President Dmitry Medvedev took governor Arnold Schwarzenegger and California executives on a tour of Skolkovo, the Moscow suburb that Russians are trying to develop into a technology hub.

2. Schwarzenegger said Russia is like a diamond or gold mine with tremendous potential for growth and investment.

3. Medvedev has called for an end to Russia’s dependence on natural resources and the creation of a knowledge-based economy that can compete globally.

4. Medvedev, who met Schwarzenegger in San Francisco during a visit in June, is seeking foreign capital and know-how for his planned Skolkovo technology hub outside Moscow.

5. The Kremlin has already won commitments from Siemens AG, Cisco Systems and Nokia Oyj to participate in Skolkovo. Former Intel Corp. head Craig Barrett, who is traveling with Schwarzenegger, serves as co-chairman of Skolkovo’s supervisory board. Other companies represented in the governor’s delegation include Google Inc., Microsoft Corp. and Amgen Inc.

6. Improved ties to the U.S., based on Medvedev’s relationships with President Barack Obama and Schwarzenegger, are key to making Skolkovo a success.

7. Venture capitalists in the U.S. are already skeptical about investing in Russia due to arcane regulations and widespread corruption.

8. Alexandra Johnson, a member of the Silicon Valley Trade delegation, said a lack of successful Russian companies to date meant visiting investors would focus more on gathering information than committing any capital. She said that corruption and unpredictable laws were major Russian problems.
9. John T. Connor Jr., founder and portfolio manager of the Third Millennium
   Russia Fund, who accompanied the delegation, said many of the executives
   were impressed. They liked the 13 percent flat tax on personal income.

10. Some observers predicted that nothing would come of the visit, which they
    consider a public relations gimmick to promote the project in Russia, said
    Irina Yasina of the Institute of Transition Period Economy.

11. Some of the funds dedicated to construction of the new city have a good
    chance of being stolen. The Russians are very skilled in this art.

12. Medvedev acknowledged the critics, but pointed to the country’s highly
    educated population and tremendous resource wealth as the basis for future
    improvements to be achieved in part with the aid of Silicon Valley.

**Investment Factors.**

The investment factors mentioned in the U.S. media included:

- Corruption: high – 8 mentions
- Political environment: unstable – 4 mentions
- Well-functioning legislature: no - 4 mentions
- Risk of breach of contract by government: high
- Innovative human resources: no – 3 mentions
- Market potential: high
- Affordable human resources: no.
Investment Factors Mentioned at the Public Diplomacy Event vs.
Investment Factors Mentioned in the U.S. Mass Media.

Table 4.5: Factors Mentioned at the GIPF vs. Factors Mentioned in the U.S. Mass Media.

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<th>Factors</th>
<th>Mentioned at the Event</th>
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<td>Contract by Government</td>
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Media Coverage Analysis

California governor Arnold Schwarzenegger became the major newsmaker in the articles that covered the Silicon Valley Trade Delegation's visit to Russia. The U.S. media actively discussed his statements on Russian President Medvedev being “a great visionary” and Russia being “a gold mine or a diamond”. Schwarzenegger drew attention to the public diplomacy event and ensured its publicity.

In contrast to California governor, the Russia President was quoted only twice in 15 articles dedicated to the event. The U.S. media also cited some members of the Silicon Valley trade delegation sharing their views on Russia’s barriers to becoming
an attractive investment destination such as corruption, addiction to resources and a culture stifling entrepreneurship developed in the Soviet Union.

The U.S. media emphasized Medvedev’s focus on modernization and innovation. They stressed that the Russian President is a heavy Internet user who tweets and runs a blog. The media also mentioned that the Russian government already secured partnerships with such companies as Siemens AG, Cisco Systems and Nokia Oyj to participate in the Skolkovo project while former Intel Corp. head Craig Barrett, agreed to serve as a co-chairman of Skolkovo’s supervisory board. Skolkovo was mentioned in the majority of the articles and was presented as a symbol of Russia’s modernization hopes.

The second part of the forum was held in Tatarstan’s capital, Kazan. However, the place was briefly mentioned in only one of the reports.

Aside from covering the Russian government’s determination to modernize the country’s economy, the U.S. media stressed investors’ skepticism about doing business in Russia and their concerns about the high level of corruption. The reports also mentioned that Noble Prize winner of Russian origin Andre Geim refused to assist with Skolkovo project development.
**Other Public Diplomacy Activities**

Five public diplomacy events described and analyzed in the case studies of this work do not represent all the activities that the Russian government and other entities organized to attract U.S. investment. Other public diplomacy events included:

**Economic / Investment Forums**

**The Sochi Investment Forum.**

The ninth International Investment Forum was held in Sochi on September 16-19, 2010. The organizers included the representatives of the Russian government, regional administration and the Chamber of Commerce and Industry of the Russian Federation (Sochi Investment Forum, n.d.). Total, about 8,000 participants including 569 foreign ones were registered at the forum (Sochi Investment Forum, 2010b).

The plenary session “Investment Climate: Goals, Expectations and Results” was the key event of the forum (Sochi Investment Forum, 2010b). The participants of the session discussed Russia’s investment climate and measures being implemented to improve it such as changes in the migration policy, tax stimulations, customs administration, and the reduction of administrative barriers. Russian Prime Minister, Vladimir Putin gave an introductory speech at the session (Sochi Investment Forum, 2010b).

Among the panelists at the plenary session there were the representatives of American companies such as Rair Simonyan, Chairman of the Board of Directors of Morgan Stanley Russia/CIS, James Albaugh, President and CEO of Boeing Commercial Airplanes, Samuel Allen, Chairman and CEO of Deere & Company, and James Dimon, Chairman and CEO of JPMorgan Chase & Co (The Sochi Investment Forum, 2010b).
Other round table discussions focused on such topics as the new police law, immigration policy, tax policy, living conditions in Russia, regional investment in Russia, gaming zones, venture financing, energy efficiency, preparation for the Sochi 2014 Olympics, nanotechnologies, management culture in Russia, and the state of different industries in the country (Sochi Investment Forum, 2010a).

Presentations of the investment potential of Sverdlovsk oblast’, Saratov oblast’, Yaroslavl oblast’, Ulyanov oblas’, republic of Buryatiya, and Tambov oblast’ as well as sponsorship opportunities at the XXVII World Summer Student Games 2013 in Kazan were made at the forum (Sochi Investment Forum, 2010c).

The VTB “RUSSIA CALLING!” Investment Forum.

The VTB Capital “RUSSIA CALLING!” Investment Forum was held in Moscow on 5-7 October 2010. About 1900 delegates, including some 500 investors, and 46 speakers participated in plenary sessions and panel discussions. Bloomberg and Financial Times served as foreign media sponsors (VTB Capital, 2010).

The discussion centered on the investment potential of various sectors of the Russian economy, and Russia’s image among foreign investors. Russian Prime Minister Vladimir Putin gave a speech at the opening day of the forum (VTB Capital, 2010).

The second day of the forum featured the sessions “Innovation Sectors of the Economy” with speeches by Skolkovo Foundation CEO Viktor Vekselberg and RUSNANO CEO Anatoly Chubais and “Russia’s Image in the Eyes of International Investors” covering the perception of Russia among the foreign investors and international media. Speakers at the session were the representatives of Wermuth Asset Management, East Capital, KNAUF CIS, Bloomberg TV, BBC, The Wall Street Journal, and Institutional Investor (VTB Capital, 2010).
X American Chamber of Commerce in Russia Investment Conference.

Since 2000, the American Chamber of Commerce has held its Annual Investment Conference that examines the previous year's trends and their impact on the business environment in Russia. The event brings together business representatives, public officials and media representatives to discuss Russia’s investment and business climate (American Chamber of Commerce in Russia, 2010a).

In 2010, the American Chamber held the Investment Conference in Moscow on March 24. The main theme of the event was “A Post-Crisis Russia: Modernization Is The Way Forward” (American Chamber of Commerce in Russia, 2010a).


The conference covered such topics as the state of the Russian economy, developing economic cooperation between the United States and Russia as well as the agenda for the U.S.-Russian Bilateral Presidential Commission, the role of foreign business in Russia’s modernization and driving innovation and legal challenges in promoting a healthy investment climate (American Chamber of Commerce in Russia, 2010a).

Held on October 20-21, 2010 in San Francisco, CA, the 2010 U.S. – Russia Business Council Annual Meeting was devoted to modernization of the Russian economy and cultivating the innovation culture in the country. The conference was called "From Silicon Valley to Skolkovo: Forging Innovation Partnerships" and it focused on the ways how cooperation between Russian and U.S. companies could stimulate growth and development in both countries (U.S.-Russia Business Council, 2010b).

At the meeting California Governor Arnold Schwarzenegger spoke about his visit to Moscow and compared Russia to “a gold mine” for foreign investors, even if doing business in the country was not always easy (U.S.-Russia Business Council, 2010c).

Other prominent speakers at the conference were Anatoly Chubays, RUSNANO CEO, Alexander Novak, Deputy Minister of Finance of Russian Federation, Alexei Sitnikov, International Development Director of the Skolkovo Foundation, John R. Beyrle, U.S. Ambassador to Russia, Sergey I. Kislyak, Russian Ambassador to the United States, James Turley; Chairman and CEO of Ernst & Young, Mike Gann, Senior Director for Global Healthcare of Intel Corporation, Rod Nelson, Vice President of Communications of Schlumberger Limited, and Klaus Kleinfeld, Chairman and CEO of Alcoa (U.S.-Russia Business Council, 2010b).

Meeting of the Foreign Investment Advisory Council

The 24th Session of the Foreign Investment Advisory Council (FIAC) in Russia was held in Moscow on 18 October, 2010. The FIAC organizes annual sessions with the government representatives to discuss priorities in Russia's investment policies and identify measures for improving the country's investment
climate. The council is chaired by the Russian Prime Minister and includes CEOs from 42 international companies working in Russia (Foreign Investorw Advisory Council, n.d.).

At the 2010 session of the FIAC, Russian Prime Minister Vladimir Putin announced the government’s decision to establish the institution of ombudsman for protecting the interests of both domestic and foreign investors. He also acknowledged the FIAC role in preparing legislative amendments introducing simplified procedures for stay and hiring of highly-qualified foreign specialists (Foreign Investorw Advisory Council, 2010).

The following priorities were established by the FIAC for 2011: making the employment and stay of foreign citizens in the Russian Federation, including highly-qualified specialists, more attractive; improvement of customs procedures and their enforcement; lowering of administrative barriers; implementation of projects to enhance energy efficiency; development of the financial market, and encouraging the implementation of high technologies in the Russian economy (Foreign Investorw Advisory Council, 2010).

The session participants also discussed the website ModernRussia.com that could be helpful as “a platform for discussing investment-climate issues by FIAC members and senior executives of other interested companies and organizations” (Foreign Investorw Advisory Council, 2010).

Presentations by Russian Regions’ Representatives

The American Chamber of Commerce is an active player in regional advocacy and provides the opportunity for the representatives of Russian regions to meet prospective U.S. investors. In 2010, the following regions conducted briefings at the Chamber: Kirov oblast’, Kurgan oblast’, Nizhny Novgorod oblast’, Tyumen oblast’,
Ryazan’ oblast’, and Voronezh oblast’ (American Chamber of Commerce in Russia, 2010b). Chamber members took trips to Obninsk oblast’, Kaluga oblast’ and Ryazan oblast’ (American Chamber of Commerce in Russia, 2010c). Other region – focused events were a member-only lunch with General Director of Special Economic Zones and President of Buryatia, the republic of Tatarstan presentation and the U.S.-Russia Business Council breakfast and member-only private meetings with Governor of Nizhny Novgorod oblast’ Valery Shantsev (American Chamber of Commerce in Russia, 2010b).

Road Shows of Russian Government Representatives in the U.S.

USRBC Road Show with Russian Federation Senator Mikhail Margelov to promote bilateral commercial connections in the fields of agribusiness and high technology.

In July 2010, Chairman of the Foreign Affairs Committee at the Russian Federation Council Mikhail Margelov traveled with U.S. – Russia Business Council President Edward Verona and Executive VP Randi Levinas through the U.S. Midwest. They visited with the U.S.-Russia Business Council member companies to share updates on the “reset” in U.S.-Russia relations and start a conversation on mutual cooperation. U.S. companies hosting the delegation included ADM, Cargill, Caterpillar, Deere, Dow AgroSciences, Dupont’s Pioneer Hi-Bred subsidiary, and Eli Lilly. Margelov visited the cities of Omaha, NE; Coon Rapids, IA; Johnston, IA; Des Moines, IA; Moline, IL; Peoria, IL; Decatur, IL, and Indianapolis, IN (U.S. – Russia Business Council, 2010d).
Trips of Foreign Investors to Russia

Visit of Silicon Valley venture capitalists (organized by RUSNANO and The American Business Association of Russian-speaking Professionals - AmBAR).

A delegation of 20 representatives from the Silicon Valley venture capital funds visited Moscow on May 25 – 27, 2010, to learn about Russia and its growing investment potential (The American Business Association of Russian Speaking Professionals, 2010, April 14). During the trip, Siguler & Guff, an $8 billion venture capital fund, announced that they committed a $250 million investment to a data center in Russia, encouraged by the government’s support for information technology. RUSNANO and AmBar, an association for Russian – speaking professionals in the San Francisco Bay Area, organized the visit (The American Business Association of Russian Speaking Professionals, 2010, April 14).

The venture fund investors met with Russian President Dmitry Medvedev and Viktor Vekselberg, Skolkovo Foundation CEO (Press Service of the President, 2010, May 25).

At the meeting with investors, Dmitry Medvedev said “We are therefore extremely interested in using Skolkovo centre for promoting cooperation with foreign colleagues and foreign investors” (Press Service of the President of Russia, 2010, May 25). “We simply need to provide better examples, create better practices. But some things depend on you too. If you think that the situation has changed then your words, your experience, your appeals, your contacts with your colleagues are the best thing of all here because business does not always believe what the state authorities say, whether here in Russia or in America” (Press Service of the President of Russia, 2010, May 25).
Medvedev mentioned the new immigration law for highly-qualified foreign specialists. He also talked about protecting intellectual property rights and spreading the culture of business involvement in innovation (Press Service of the President, 2010, May 25).

**ModernRussia.com Website**

“Modern Russia” is an online forum examining the economic and social modernization of Russia. It was launched in April 2010 and it is managed by Ketchum PR agency on behalf of the Russian Federation. It encourages users to provide solutions-focused commentary and analysis (Modern Russia, 2010). The sections on the website include “economy”, “business sectors”, “policy initiatives”, “legal system”, “regional development, and “culture & society.” Contributors include Russian officials and heads of foreign businesses in Russia.

**Events Impacting Investment Climate**

Hosting the Olympic games in Sochi 2014 and the World Cup in 2018 raised Russia’s investment profile and brought more attention to the country’s investment potential and business climate.
CHAPTER V
RESULTS

Russian Public Diplomacy

RQ1: Who are the major players in Russia’s public diplomacy aimed to attract U.S. investors?

As the case studies demonstrated, there are multiple forces involved in public diplomacy to promote Russia as an investment destination. Organizations working on improving Russia’s investment climate and increasing foreign direct investment include:

*The Administration of the President of the Russian Federation.*

During the year of 2010, Russian President Medvedev was involved in a number of investment promotion activities: speeches announcing new investment–friendly policies, meetings with prospective investors, and the official visit to the United States, themed around U.S.–Russia business cooperation.


Department of Investment Policy and Development of Business – Government Partnerships at the Ministry of Economic Development studies Russia’s investment climate and develops policies aimed at attracting more investment to the country. Minister of Economic Development Elvira Nabiullina gave speeches at economic and investment forums emphasizing that attracting foreign investment was Russia’s top priority, and the government was listening to investors’ concerns.
The Ministry of Finance of the Russian Federation.

At the public diplomacy events analyzed, Russian Minister of Finance Alexey Kudrin provided an overview of Russia’s financial situation and stressed the importance of creating conditions favorable to increasing foreign investment in the country (The Russia Forum, 2010, February 3b).

The Federal Migration Service of the Russian Federation.


The Commission for Modernization and Technological Development of Russia’s Economy.

Created in June 2009, the commission is chaired by the President of the Russian Federation. Among the members of the commission, there are public officials and business representatives. They get together on a monthly basis to discuss recent developments in Russia’s modernization. Decisions regarding the Skolkovo innovation hub construction were announced at the commission meetings (The Commission for Modernization and Technological Development of Russia’s Economy, n.d.).

Russian Regional Authorities.

Russian regional authorities work with the American Chamber of Commerce in Russia on promoting local investment projects. They organize prospective U.S.
investors’ trips to the region as well as give presentations at the gatherings of American Chamber members (American Chamber of Commerce in Russia, 2010c).

**The Russian Venture Company.**

The Russian Venture Company (RVC) is a government fund of funds and a development institute of the Russian Federation. It was established by the Russian Government in 2006 to encourage Russia’s own venture capital (VC) industry and boost capital of VC funds (Russian Venture Company, n.d.). RVC invests capital in innovative projects through VC funds that it creates in partnership with private investors (Russian Venture Company, n.d.). RVC met with venture investors visiting Russia in May and October 2010, and its CEO participated in economic and investment forums promoting Russia’s innovation agenda.

**RUSNANO.**

RUSNANO is an open joint-stock company that was established in 2007 to enable governmental policy in the field of nanotechnology (RUSNANO, n.d.). RUSNANO co-invests in nanotechnology industry projects with commercial potential or social benefit. It promotes nanoscience and nanotechnology, and provides educational programs. RUSNANO aims “to achieve and demonstrate positive commercial results making nanoindustry attractive to sources of private investment” (RUSNANO, n.d.). RUSNANO was an active player during the visits of U.S. venture investors to Russia and in promoting Skolkovo innovation hub at economic and investment forums.

**The Skolkovo Foundation.**

The Skolkovo Foundation is a nonprofit organization aimed at developing innovations in Russia. The Foundation was established by the Russian Academy of Sciences, state corporation “Bank for Development and Foreign Economic Affairs”
(Vneshekonombank), RUSNANO, Bauman Moscow State Technical University, the Russian Venture Company and the Fund for Assistance to Small Innovative Enterprises (The Skolkovo Foundation, 2010, May 22). The organization is chaired by the Foundation’s president. It also has a Council (represented by Russian and foreign businessmen), a Board of Trustees, and a Scientific Advisory Council (represented by Russian and foreign scientists). The Foundation works on establishing partnerships with Russian and international companies as well as educational institutions.

**The Foreign Investors Advisory Council.**

The Foreign Investment Advisory Council (FIAC) was created in 1994 to establish dialogue between foreign businesses and the Russian government as well as to improve the investment climate in Russia. The council is chaired by the Russian Prime Minister and it includes the heads of 42 international companies working in Russia. The FIAC holds annual sessions with the government to discuss priorities in investment policy and to identify measures for improving the investment climate (The Foreign Investment Advisory Council, n.d.).

**The American Business Association of Russian – speaking Professionals (AmBar).**

AmBAR is a non-profit networking business association of entrepreneurs, venture capitalists, engineers, lawyers and other professionals with headquarters in Silicon Valley. It started in 2002 as an organization of expatriates from Russia, Ukraine and other CIS countries that were working in technology businesses in the U.S. (The American Business Association of Russian-speaking Professionals, n.d.).

The organization is dedicated to increasing access to capital for innovative projects and developing technology partnerships between Russia, Ukraine and other former Soviet Union countries and the United States (The American Business
Association of Russian-speaking Professionals, n.d.). In May 2010, AmBar co-sponsored the U.S. venture capital funds managers’ visit to Moscow, Russia.

**Business Development and Economic Relations Working Group of the Bilateral Presidential Commission.**

The bilateral commission was created by Presidents Obama and Medvedev in July 2009. U.S. Secretary of Commerce Gary Locke and Russian Minister of Economic Development Elvira Nabiullina were appointed to co-chair the Business Development and Economic Relations Working Group of the commission. Its members hold discussions on U.S. – Russia cooperation and meet with business associations’ representatives (U.S. Department of State, n.d.).

**U.S. – Russia Business Council.**

The U.S.-Russia Business Council (USRBC) is a Washington-based trade association that provides business development, dispute resolution, government relations, and market intelligence services to its American and Russian member companies (U.S. – Russia Business Council, n.d.). The association also has a representative office in Moscow, Russia.

The Council holds regular member briefings that offer expert opinion and experience on the state of U.S. - Russian business relations. It also provides its members with information materials on policy changes and major industry sectors recommendations (The U.S. – Russia Business Council, n.d.).

The organization is an important player in developing U.S. – Russia business relations and increasing mutual investment. It conducts road shows of Russian public officials in the U.S. and hosts an annual meeting bringing together Russian and American officials, and business representatives (The U.S. – Russia Business Council, n.d.).
The American Chamber of Commerce in Russia.

The American Chamber of Commerce in Russia is a business association dedicated to promoting the interests of its member companies and to creating a business–friendly environment in Russia (American Chamber of Commerce in Russia, n.d.). It works with the Russian government on key reform measures concerned with taxation, foreign direct investment and customs legislation. Established in 1994, the organization has the membership of over 800 companies. The organization hosts high-profile speaker events, CEO forums, roundtable discussions, Russian regional briefings and trade missions as well as its flagship policy event – the Annual Investment Conference (American Chamber of Commerce in Russia, n.d.).

The Russian Union of Industrialists and Entrepreneurs (RSPP).

The Russian Union of Industrialists and Entrepreneurs (RSPP) is an independent non-governmental organization with a membership base of over 120 regional alliances and industry associations representing key industries of the economy (The Russian Union of Industrialists and Entrepreneurs, n.d.). The RSPP has more than 328 thousand members representing industrial, scientific, financial and commercial organizations and individual members in all Russian regions (The Russian Union of Industrialists and Entrepreneurs, n.d.).

The organization conducts lobbying activities and holds business forums and panel discussions on the Russian business development. Through the International Council for Cooperation and Investment, RSPP works on improving the Russian investment climate and facilitating efforts of Russian companies investing abroad (The Russian Union of Industrialists and Entrepreneurs, n.d.).

In partnership with the U.S. Chamber of Commerce, the organization created The American-Russian Business Dialogue (ARBD) to addresses the challenges
affecting the U.S. – Russia cooperation. One of the key areas of focus of the dialogue are improving the investment climate between both countries and advancing Russia’s accession to WTO (U.S. Chamber of Commerce, n.d.). The RSSP held the U.S.-Russia Business Dialogue at St. Petersburg International Economic Forum.

**Troika Dialog.**

Troika Dialog is one of the leading investment banks in the CIS. It hosts the annual Russia Forum on investment in Russia and CIS countries (Troika Dialog, n.d.).

**VTB Capital.**

VTB Capital is the investment business of VTB Group, and one of the three strategic business arms of VTB Group, along with the corporate and retail businesses. VTB Capital operates in Moscow, London, Singapore and Dubai, and it is headquarters in Moscow. The company hosts the annual “RUSSIA CALLING!” Forum on Russia’s investment climate (VTB Capital, 2010).

**The Economist Intelligence Unit: Business Environment Rankings.**

Founded in 1946, The Economist Intelligence Unit is an in-house research unit for The Economist, delivering business intelligence to companies, financial institutions, governments and universities. The organization annually publishes the rankings of 82 countries in terms of their business environment, which might affect investors' decision to invest in Russia. In 2011, Russia slipped by one place in the ranking, to 62nd (The Economist Intelligence Unit, n.d.).


Since 2003, the International Finance Corporation and World Bank have annually ranked world economies based on their ease of doing business. The index averages the country's rankings on 9 topics: starting a business, dealing with
construction permits, registering property, getting credit, protecting investors, paying
taxes, trading across borders, enforcing contracts and closing a business. In 2011
rating (the data are current as of June 1, 2010), Russia was ranked the 123rd out of 183
countries analyzed (Doing Business Project, 2010).

*Transparency International: Corruption Index.*

Transparency International is the global civil society organization advocating
against corruption (Transparency International, n.d.). It publishes the annual
Corruption Index. In 2010, Russia was ranked 158 out of 178 countries analyzed. The
2010 Corruption Perceptions Index is based on 13 independent surveys from 10
independent institutions (Transparency International, 2010).
Figure 5.1: Russian Public Diplomacy Players.
RQ2: What public diplomacy activities and strategies does the Russian
government employ to attract U.S. investors?

Activities.

As the case studies demonstrated, Russian public diplomacy players reach out to prospective U.S. investors through both mass mediated communication and face-to-face interactions at meetings and economic and investment forums.

The list of public diplomacy activities aimed at attracting U.S. direct investment includes official visits and road shows of Russian officials to the United States; inviting U.S. investors to Russia; economic and investment forums and conferences organized by the Russian government and other organizations as well as consulting with associations representing foreign investors in Russia (the Foreign Investors Advisory Council, U.S. - Russia Business Council, American Chamber of Commerce in Russia, etc.) to improve Russia’s investment climate; presentations of Russian regions by regional authorities to prospective U.S. investors; and creating an online forum on modernization and business climate in Russia.

Strategies.

The case studies demonstrated that the following strategies were utilized by the Russian government and other organizations to promote Russia as an investment destination:


2. Third-party endorsements: endorsement of Russian investment opportunities by the current U.S. investors in Russia and U.S. public officials at economic
and investment forums and through controlled media such as the online forum ModernRussia.com.

3. **Audience participation**: inviting investors to discuss the Russian business climate at economic and investment forums and at Foreign Investors Advisory Council sessions

4. **Media relations**: communicating changes in investment policies and inviting media to economic and investment forums

**Major Spokespeople.**

*Figure 5.2: Top Russian Spokespeople (by the number of public diplomacy events they participated in).*

1. Dmitry Medvedev, President of the Russian Federation
2. Anatoly Chubais, RUSNANO CEO
3. Elvira Nabiullina, Minister of Economic Development of the Russian Federation
4. Viktor Vekselberg, Skolkovo Foundation CEO
5. Andrey Fursenko, Minister of Education of the Russian Federation
6. Ainur Aideldinov, Director of the Investment and Venture Fund of the Republic of Tatarstan
7. Alexander Zhukov, Deputy Prime Minister of the Government of the Russian Federation
8. Alexey Kudrin, Minister of Finance of the Russian Federation
9. Arkady Dvorkovich, Aide to the President of the Russian Federation
10. Andrey Denisov, First Deputy Minister of Foreign Affairs of the Russian Federation
11. Igor Agamirzyan, Russian Venture Company CEO
12. Igor Shuvalov, First Deputy Prime Minister of the Government of the Russian Federation
13. Konstantin Romodanovsky, Federal Migration Services Director
14. Rustam Minnikhanov, the President of the Republic of Tatarstan
15. Vladislav Surkov, First Deputy Chief of Staff of the President of the Russian Federation.

**Key Messages.**

**Russian Government.**

The following messages were communicated by Russian government representatives at public diplomacy events aimed at improving Russia’s investment image:
1. Russia acknowledges the challenges it faces in attracting investment. Russia needs to improve its investment climate. Creating an investor–friendly environment is a top priority.

2. Russia cannot proceed without modernization and innovation.

3. Russia is building a new innovation center, which is not, of course, a Silicon Valley, but it will become a major testing ground for a new economic policy.

4. The new center (Skolkovo) will have five priorities for Russia’s modernization: energy, IT, telecommunications, biotechnology and nuclear technology.

5. Companies joining the center in Skolkovo will be granted tax and administrative privileges.

6. Russia is interested in working closely with leading American companies.
   Russia values the advice that Silicon Valley leaders could provide.

7. Russia is interested in much higher attraction of skilled labor.

8. We are also listening to the concerns of foreign investors.

9. Russia is simplifying immigration rules for highly–skilled specialists.

10. Russia is abolishing capital gains tax for companies involved in foreign direct investment, providing tax benefits for companies involved in innovation, and reducing the number of strategic enterprises restricted for foreign investors.

11. The government will work on reducing the red tape.

12. There were improvements in Russia’s economy: inflation was constrained and the federal budget deficit was reduced.

13. Russia has such advantages as its resources and intellectual capital.
U.S. Investors.

The following key messages were communicated by U.S. investors participating in Russian public diplomacy events aimed at improving Russia’s investment climate:

1. Russia presents a great market potential. There are plenty of growth opportunities in Russia.

2. Russia’s strength is highly-educated human resources in such subjects as math and computer science.

3. The investment community acknowledges the Russian government’s commitment to improve the country’s investment climate.

4. Venture investment has changed dramatically in Russia since early 1990s, and there are currently many investors working with Russian technological companies.

5. Russia needs to fight corruption and bureaucracy as well as to ensure better legal protection and predictability in officials’ actions.

6. Russia lacks qualified managers in the scientific sphere.

7. Russia faces the challenge of the certainty of outcome.

8. High custom tariffs and no protection of investors’ rights make it hard to do business in Russia.

9. Russia needs to develop an open economy, support a small business sector, and create links between scientific research and business.

10. Changes would not happen overnight, but Skolkovo represents a good start to foster entrepreneurial culture in Russia.
Some U.S. officials expressed their support of Russia’s modernization efforts and encouraged American companies invest in the country:

*Barack Obama, President of the U.S.* (at the meeting with Russian President Medvedev on June 24, 2010): The United States will be your partner as you promote the transparency and accountability and rule of law (Press Service of the President of Russia, 2010, June 24a).

*Arnold Schwarzenegger, Governor of California* (at the meeting with Russian President Medvedev on October 11, 2010): Russia has potential for success. It is a “goldmine” (Press Service of the President of Russia, 2010, October 11a).

*Robert Hormats, Under Secretary of State for Economic, Energy and Agricultural Affairs* (during the U.S. – Russia Business Dialog session at the St.Petersburg International Economic Forum on June 17, 2010): We look forward to more opportunities for American companies to invest in Russia, because this is good for American companies, and it also contributes to growth and to the creation of high quality jobs in Russia (St. Petersburg International Economic Forum, 2010, June 17).

**Investment Factors Promoted.**

Major factors emphasized at the analyzed public diplomacy events were favorable investment policies such as taxation and immigration policies as well as Russia’s highly-educated human resources and natural resources.

**Major Investment Destination Promoted.**

Skolkovo innovation hub was the leading Russian investment destination promoted at 4 out 5 public diplomacy events.
U.S. Mass Media Coverage

RQ3: How do the U.S. media cover Russian public diplomacy efforts aimed at attracting foreign investors and the country as an investment destination (number of media mentions, favorableness of media coverage, scope of mention, regions mentioned, top newsmakers, investment factors mentioned and key messages communicated)?

*Media Coverage of Public Diplomacy Activities.*

*Figure 5.3: Media Mentions of Public Diplomacy Activities.*

Russian President Medvedev’s visit to the United States received more media mentions (57) than any other public diplomacy event analyzed. It is followed by the St. Petersburg International Economic Forum (25), the Global Innovation Partnerships Forum (15). The Russia Forum 2010 garnered 10 media mentions, Skolkovo announcement was mentioned only in 6 media reports during February – April, 2010.
Favorableness of Media Coverage of Different Activities.

Figure 5.4: Favorableness of Media Coverage.

The Russian President’s official visit to the United States received the most favorable media coverage based on the number of positive and neutral reports. It is followed by the St. Petersburg International Economic Forum. The Global Innovation Partnerships Forum garnered mostly neutral media coverage but with significant number of negative mentions. The Russia Forum 2010 and the announcement of the Skolkovo project received mostly mixed media mentions, providing contradictory views on Russia’s attractiveness as an investment destination.
News articles (64 media mentions) dominated among U.S. media mentions of Russia’s public diplomacy activities, followed by brief mentions (24), opinion pieces (9) and interviews (9). Five feature stories and 2 editorials on Russia’ public diplomacy events were identified.
**Regions Mentioned.**

*Figure 5.6: Regions Mentioned.*

The Skolkovo innovation center was the top Russia’s investment destination mentioned (45 media mentions) in the U.S. media reports on 5 public diplomacy activities analyzed. It was followed by Moscow region (2 mentions), republic of Tatarstan (1 mention), and Russian North Caucasus (1 mention).
Top Newsmakers in U.S. Mass Media Reports.

Figure 5.7: Top Newsmakers (by the number of stories cited in).

Craig Barrett, Foreign Delegate Coordinator of Skolkovo
Elvira Nabiullina, Minister of Economic Development of the RF
Alexandra Johnson, head of Global Technology Symposium
John Chambers, CEO and Chairman of Cisco
Chris Weafer, chief strategist at Russian bank Uralsib
Igor Shuvalov, First Deputy Prime Minister of the RF
Alexei L. Kudrin, Finance Minister of the RF
German Gref, Sberbank CEO
Michael McFaul, Obama’s adviser on Russia
Arkady Dvorkovich, aide to President of the RF
Anatoly Chubais, RUSNANO CEO
Viktor F. Vekselberg, Skolkovo Foundation CEO
Ben Rhodes, director of strategic comms at the National Security Council
Arnold Schwarzenegger, Governor of California
Barack Obama, President of the US
Dmitry Medvedev, President of the RF

#Stories Cited
Investment Factors.

Figure 5.8: Investment Image of Russia in the U.S. Mass Media.
Describing Russia’s political climate, the U.S. media emphasized poorly-functioning legislation, high risk of breach of contract by government, risk of expropriation, and unstable political environment.

Regarding the country’s business climate, media mentioned high level of corruption and bureaucracy, followed by market potential and developed infrastructure.

Factors mentioned in terms of Russian investment policies were the introduction of a more favorable taxation policy, immigration policy changes, decreasing restrictions on foreign business activity and unfavorable custom tariffs.

There were contradictory statements regarding Russia’s human resources: some media or newsmakers characterized them as innovative and well-educated while others described them as the opposite.

Six of the 113 media mentions described Russia as an unsafe place.

**Key Messages in U.S. Mass Media.**

Key messages in the U.S. mass media in terms of Russia’s investment climate were identified as the following:

1. Russia is trying to diversify its economy and reduce its dependence on natural resources. Russian President Medvedev made modernization and innovation the centerpiece of his tenure.
2. Russia is desperate to attract foreign investment after the economic downturn in 2008 – 2009. Attracting investors is a central point of Russia’s economic policies.
3. The Russian government is introducing investment friendly policies: abolishing taxes on capital gains, simplifying immigration rules for highly -
skilled specialists and reducing the number of strategic enterprises restricted for foreign investors.

4. Russia is building an innovation center outside Moscow modeled on Silicon Valley. Skolkovo will have a special legal and tax regime.

5. Russia hopes U.S. investors will participate in Skolkovo development.

6. Investors are still skeptical about Russia’s business climate. Russia is still a high-risk country for foreign investors because of rampant corruption, bureaucracy, and lack of legal guarantees and distrust of private business. The cases of Mikhail B. Khodorkovsky, William F. Browder and Robert Dudley demonstrate the absence of rule of law in the country.

7. Medvedev is trying to modernize Russia without changing political foundations: political liberalization and institutional change.

8. U.S. – Russia relations have improved and their leaders have more of business-type relationships in contrast to the Bush era.

9. Russia has had some success in attracting foreign partners for Skolkovo: Cisco, Simens AG, Nokia.

10. Russia has a massive domestic market.

11. Russia’s investment potential was endorsed: Schwarzenegger compared Russia to “a goldmine” and called Medvedev “a great visionary”.

12. Kremlin is reviving the idea of turning Moscow into an international financial center.

**RQ4: How effective are Russian public diplomacy forces’ media relations efforts aimed to improve Russia’s image as an investment destination?**

Research question 4 will be answered in the Chapter 5 (“Discussion”) of the current study.
**CHAPTER VI**
**DISCUSSION**

**Media Relations Effectiveness Evaluation (RQ4)**

Public diplomacy activities that received more media coverage among the analyzed events involved the participation of high-ranking Russian officials, participation of U.S. public officials and announcement of new investment policies as well as deals reached by Russia and U.S. investors.

Medvedev’s visit to the U.S. received more media coverage than the rest of the public diplomacy activities because it involved high-profile officials from Russia and the United States as well as the announcement of Cisco’s commitment to invest in Russia for the next 10 years. The visit also included such publicity tactics as Medvedev opening a Twitter account and Medvedev and Obama lunching casually on burgers that symbolized a new type of relationship between the countries and their leaders.

The St. Petersburg International Economic Forum garnered multiple media mentions because it was chosen as an avenue to communicate new investment policies such as simplified immigration rules and abolishing capital gains taxes.

Prominent forums such as the St. Petersburg International Economic Forum also provide media representatives with the opportunity to conduct interviews with high-ranking officials and business leaders. Five media mentions of St. Petersburg International Economic Forum featured interviews with forum participants.
The Russia Forum 2010 was organized by a private sector player – Troika Dialog and it featured fewer high-ranking officials in comparison to the St. Petersburg International Economic Forum. Therefore, the Russia Forum garnered less media coverage than the forum in St. Petersburg.

Press materials highlighting the Global Innovation Partnerships Forum cited primarily Russian officials while the majority of the U.S. media did not mention them and cited Arnold Schwarzenegger’s views on the Russian investment opportunities as well as his endorsement of the Skolkovo Innovation hub.

Communication of the Skolkovo initiative during the months of February – April 2010 seems to have targeted primarily Russian audiences. Announcements were made at the meetings of the Commission on Modernization and Technological Development of Russia's Economy that did not involve many international media and foreign investors.

Among the analyzed events, activities that communicated changes and involved endorsements by U.S. public officials and investors received more positive coverage in contrast to the events that did not. U.S. media criticized Russian Deputy Prime Minister Igor Shuvalov’s speech at the Russia Forum 2010 as not presenting any concrete measures for improving Russia’s investment climate.

No byline articles written by Russian officials or other public diplomacy players and dedicated to the analyzed public diplomacy activities were identified.

Skolkovo dominated among other investment destinations both in the speeches at the public diplomacy events analyzed and in the mass media coverage they generated. The coverage of other Russian destinations was not prominent. Visiting the Republic of Tatarstan was part of the U.S. trade delegation’s trip to Russia during the Global Innovation Partnerships Forum in October 2010. However, the destination was
mentioned only once in the U.S. media reports, which demonstrates the ineffectiveness of media relations in terms of regional investment promotion.

The analysis of top newsmakers in the U.S. media regarding the Russian investment climate showed that major Russian spokespeople such as President Dmitry Medvedev, Viktor Vekselberg, Skolkovo Foundation CEO, Anatoly Chubais, RUSNANO CEO, Igor Shuvalov, First Deputy Prime Minister, and Elvira Nabiullina, Minister of Economic Development of the Russian Federation, were often cited in media reports. Other newsmakers included U.S. officials, experts on U.S. - Russia relations and Russian economy as well as the representatives of the business community in both countries.

If the Russian government and other public diplomacy players framed messages about Russia’s investment climate around introducing investment – friendly policies and the country’s human resources potential, the U.S. media covered the new investment – friendly initiatives but also mentioned risks of breach of contract by the government, instability, absence of the rule of law, and high level of corruption in Russia. The latter statements were supported by ratings such as the Transparency International Corruption Index (158th place out of 178 countries in 2010) and IFC – World Bank Doing Business project (120th place out of 183 countries in 2010) as well as by the stories of jailed Russian oligarch Khodorkovsky and Hermitage Fund lawyer Sergey Magnitsky who died in prison. Hermitage Fund CEO William Browder was cited in the media sharing his company’s experiences in Russia and campaigning against investing in the country.

Most of the key messages of the Russian government were reflected in the U.S. media: attracting foreign investment being a top priority and plans to build the Skolkovo innovation center. However, news about Russia’s investment – friendly
policies was often followed by pieces on investors’ skepticism towards the country due to rampant corruption, red tape and lack of legal protection. Media also challenged the worthiness of modernization, in general, if it is not supported by political liberalization and democratization. These topics were not discussed at the above-mentioned public diplomacy events.

**Overall Russia’s Public Diplomacy Analysis**

Russia’s public diplomacy includes multiple players ranging from government agencies to Russian and American business associations, state-controlled companies and private companies. However, there is not a single contact agency responsible for handling investment promotion activities. There is also not a single major information portal providing information on all the aspects of investing in Russia – description of the investment climate, regional opportunities, development and infrastructure as well as regulations for foreign investors. The Skolkovo project has a website with extensive information on the future innovation hub and opportunities to get involved. New-York based Ketchum PR agency also runs the ModernRussia.com online forum on behalf of the Russian government that serves as a platform for discussing Russia’s modernization efforts. Russian public officials and foreign investors share their perspectives on the country’s development through this site.

Russian public diplomacy forces play different roles in the country’s investment promotion activities. The Russian President emphasizes the importance of modernization and improving Russia’s investment climate at high-profile events and at meetings with U.S. public officials such as Governor of California Arnold Schwarzenegger and U.S. President Barack Obama.
Ministries of Economic Development and Finance as well as the Federal Migration Service are involved in developing investment-friendly policies and communicating new rules at foreign investors’ meetings.

RUSNANO, Russian Venture Company and Skolkovo Foundation are working on establishing innovation and businesses in Russia as well as attracting venture and direct investment in the country’s technology sector. The Skolkovo innovation center became the flagship of Russia’s modernization and innovation efforts.

Private sector players such as the investment bank Troika Dialog and VTB Capital, etc. are interested parties as well. Promoting Russia as an investment destination would bring more business to the firms.

Several business associations dedicated to promoting the interests of their members (including U.S. businesses,) and improving Russia’s business climate, work to increase U.S.-Russia business cooperation, which would lead to increase in their membership base (American Chamber of Commerce in Russia and U.S. – Russia Business Council). They serve as a liaison between government officials and businesses. The American Chamber of Commerce works with Russian regional authorities to promote Russian regions to prospective American investors by organizing trips and presentations.

The overall direction of U.S.-Russia relations and their emphasis on increasing economic cooperation plays a large role in Russian public diplomacy targeting American investors. In 2009, the Russian and U.S. Presidents established the Bilateral Commission, which includes the Business Development and Economic Relations Working Group aimed at increasing business cooperation between the countries, including increasing mutual investment. The existence of such a group demonstrates
the priorities of U.S. – Russia relations and sets the direction for the countries’ cooperation.

As identified in the results section, Russian public diplomacy features such strategies as coalition building, third-party endorsements, audience (investors’) participation, and media relations. Coalition building with business associations and third-party endorsements allow Russia to reach new prospective investors and increase the credibility of Russian representatives promoting the country’s investment attractiveness. Audience participation, though, enriches communication with the current investors and allows the government to hear their concerns. Through media relations, the Russian government can communicate investment-related messages to bigger audiences. However, increased media coverage of Russia’s investment initiative also increases the awareness about the country’s problems such as corruption and bureaucracy.

The case studies demonstrate the lack of effective strategies to reach out to U.S. companies who are not currently investing in Russia and who might have concerns about the country’s business environment.

**Suggestions on Advancing Russia’s Public Diplomacy to Attract U.S. Direct Investment**

Based on the analysis of Russia’s public diplomacy activities aimed at attracting U.S. direct investment and the evaluation of its media relations effectiveness, the following initiatives are suggested to enhance the country’s public diplomacy activities:

1. Working on improving the country’s investment climate and taking investors’ concerns into consideration. No public diplomacy will help improve Russia’s
investment attractiveness if foreign investors face corruption and bureaucracy obstacles while doing business in the country.

2. Establishing a coordinating agency promoting investment in Russia in partnership with business associations and government agencies.

3. Creating an information portal with all the necessary information to make an investment in Russia.

4. Emphasizing the strengths of the Russia investment brand such as highly-educated human resources, Russian government's commitment to modernization, and market potential in communication with foreign investors.

5. Increasing the involvement of U.S. businesses who are not currently doing business in Russia by having them participate in Russia’s public diplomacy events (road shows, panel discussions).

6. Providing more factual information on factors important for investors’ decision-making such as infrastructure development and opportunities in different industry sectors.

7. Working with U.S. state chambers of commerce and industry associations to increase Russia’s profile as an investment destination.

8. Involving U.S. officials and business community representatives in Russia’s public diplomacy activities to endorse the country’s modernization and investment efforts.

9. Organizing media events to communicate concrete steps and changes in investment policies.

10. Initiating byline articles on behalf of Russian public diplomacy forces and their U.S. partners.
11. Increasing the presence of Russian regions, other than Skolkovo, in U.S. media coverage of Russia as investment destinations.

**Study Limitations**

The current work was limited to the analysis of Russia’s public diplomacy activities during a one-year span. The case studies were based on documentation analysis and did not include formal interviews with the representatives of Russia’s public diplomacy forces, which could be beneficial for future studies of the topic.

Another limitation is that the content analysis was conducted through Lexis Nexis search and Google News search of terms “Foreign Direct Investment Russia”, “Russia Investment Climate”, “Russia Investment”, “Russia Investment Image”, “Investing Russia”, “Doing Business Russia”, “Russia Forum”, “Skolkovo”, “Russian Innovation Center”, “St. Petersburg International Economic Forum”, “Medvedev Visits U.S.”, “U.S. – Russia Business Summit”, “Schwarzenegger Visits Moscow”, and “U.S. Venture Investors Russia”. There is a possibility that using other search terms would generate other results.

The analysis of Russia’s public diplomacy and its media coverage was based on 5 case studies, which does not represent the full picture of the country’s public diplomacy efforts.

Finally, the study does not place Russia’s public diplomacy efforts to attract foreign direct investment in the global context, which would allow a comparison of Russia’s investment promotion activities with campaigns implemented by other countries and to identify best practices in the field.
Future Research Directions

Comparative Analysis of Public Diplomacy Efforts by Several Countries.

To further investigate the idea of using public diplomacy for attracting foreign direct investment to the country, it would be useful to conduct a comparative study of several countries’ investment promotion efforts and to identify best practices in the field.

In-depth Interviews Study to Explore Russian Public Diplomacy Strategies.

It would also be helpful to do research involving interviews with major Russian public diplomacy players to get more in-depth knowledge of investment promotion strategies utilized.

Survey of U.S. Investors to Identify Effective Communication Channels.

Another suggestion for future research involves conducting a survey of U.S. investors (currently investing in Russia and prospective investors) to determine the most effective communication channels for reaching out to them.

Long-term study of Russian Public Diplomacy.

Finally, it would be beneficial to study Russian public diplomacy activity in the long term - more than a year - to see how it develops over time – and to increase the number of case studies.

Conclusion

The focus of this study was Russia’s public diplomacy aimed at attracting U.S. direct investment during 2010. It was based on the case studies of 5 public diplomacy events: the Russia Forum 2010, the announcement of creating the Skolkovo innovation center, the St. Petersburg International Economic Forum, Russian President Dmitry Medvedev’s visit to the United States, and the Global Innovation
Partnerships Forum in honor of the visit of the U.S. trade delegation led by California Governor Arnold Schwarzenegger to Russia.

The study also included an overview of other public diplomacy initiatives organized in 2010 such as the Sochi Investment Forum, the VTB “RUSSIA CALLING!” Investment Forum, the X American Chamber of Commerce in Russia Investment Conference, the U.S. – Russia Business Annual Business Conference, the Meeting of the Foreign Investment Advisory Council, presentations by Russian regions’ representatives, the U.S. – Russia Business Council Road Show with Russian Senator Mikhail Margelov, visit of Silicon Valley venture capitalists to Russia, and the ModernRussia.com website.

The content analysis of the media coverage of the 5 public diplomacy activities described in the case studies was conducted to evaluate the effectiveness of media relations aimed at improving Russia’s image as an investment destination.

The value of the investigation is in providing an overall analysis of Russia’s public diplomacy aimed at attracting U.S. investment: identification of major players and strategies used by them as well as the analysis of media coverage that investment-related public diplomacy activities garnered.

The results of the study demonstrated that the major forces in the Russian public diplomacy were the Administration of the President of the Russian Federation, the Ministry of Economic Development, the Ministry of Finance, the Federal Migration Service, the Commission for Modernization and Technological Development of Russia’s Economy, Russian regional authorities, the Russian Venture Company, RUSNANO, the Skolkovo Foundation, the Foreign Investors Advisory Council, the Business Development and Economic Relations Working Group of the Bilateral Presidential Commission, the U.S. – Russia Business Council, the American
Chamber of Commerce in Russia, the Russian Union of Industrialists and Entrepreneurs, Troika Dialog, VTB capital, and business environment evaluators such as the Economist Intelligence Unit, the International Finance Corporation, the World Bank, and Transparency International.

This study finds that major strategies utilized by Russian public diplomacy forces working on improving the country’s image as an investment destination were alliances and coalitions, third-party endorsements, audience participation, and media relations.

The study demonstrated the lack of effective strategies to communicate to U.S. companies who are not currently investing in Russia and might have concerns about the country’s business environment.

The analysis of key messages communicated by Russian public diplomacy forces were reflected in the U.S. mass media reports: focus on modernization and innovation, creating the Skolkovo innovation center, changes in Russian immigration and tax policies, and a favorable investment climate being a top priority for the government. However, the media also challenged the effectiveness of Russian President Medvedev’s attempts to fight corruption, red tape and the overall idea of economic modernization without political liberalization and democratization.

The investigation also found that public diplomacy activities that received more media coverage involved the participation of high-ranking Russian officials, participation of U.S. public officials and announcement of new investment policies as well as deals reached by Russia and U.S. investors.

Lastly, the study provided suggestions on improving Russia’s public diplomacy aimed at attracting U.S. investment as establishing a single coordinating agency to promote investment in Russia; creating an information portal with all the
necessary information to make the decision to invest in Russia; working with state chambers of commerce to increase Russia’s profile as an investment destination; involving more U.S. officials and business community representatives in Russia’s public diplomacy activities to endorse the country’s modernization and investment efforts and increasing the presence of Russian regions, other than Skolkovo, in U.S. media coverage of Russia as an investment destination. All those measures should be preceded by real actions to improve the business climate in the country: decrease the level of corruption, simplify bureaucratic procedures and establish the rule of law.
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