

# The Digital Economy: Opportunities and Prospects for the Far East

## KEY CONCLUSIONS

### **Digitalization is one of the key trends in economic and social development**

"The digital revolution provides tremendous opportunities in the monetary sphere. <...> We are talking about the birth of a fundamentally new type of money: not just crypto-currencies, but rather national digital currencies," Sergei Glazyev, Adviser to the President of the Russian Federation.

"For the digital economy, the annual increase in its share of GDP is the acknowledgement of its significance. In Russia's GDP, the digital economy currently stands at 2.8%, or USD 75 billion, with a large part of it, USD 63 billion, in consumer sector," Tatiana Remezova, Anchor, Vesti News Show, All-Russia State Television and Radio Broadcasting Company.

## PROBLEMS

### **Lack of regulatory and legal basis for development of the digital economy**

"Digital legislation is being written from scratch. It is absent not only in our country today, there is none anywhere in the world," Sergey Zhigarev, Chairman, State Duma Committee on Economic Policy, Industry, Innovative Development, and Entrepreneurship.

"As of today, the regulatory environment does not take into account the key features of the new economy: high value of intangible assets, blurring borders and extremely low costs for replicating business models, as well as regulatory issues that should have been resolved yesterday: determine the legal nature of new digital assets, identify the subjects of the digital economy, legal force to electronic documents, forms of government regulation of business, regulation of data turnover and access to them in a way that they are protected and at the same time available to address various challenges," Andrey Bugrov, Senior Vice President, Deputy Chairman of the Board of Directors, MMC Norilsk Nickel; Vice President, Interros Holding Company CJSC.

"We have no method for legal regulation of blockchain and crypto currency. <...> There are no international standards that would be applied everywhere," Cossar Sohail, Executive Operation Director, Bitlish Ltd.

"As of today, there is no unified standard for digital signature in Russia," Sergei Mytenkov, Vice President, Russian Union of Industrialists and Entrepreneurs (RSPP).

"The concept of smart contracts needs to be clearly understood, which would allow adding more business logic on top of blockchain and interact more efficiently," Dmitry Ufaev, Chief Executive Officer, Bitfury Russia.

### **Lagging regulation and cybercrime create risks for the economy and society**

"When everything comes in a digital form, data must be safeguarded," Sergei Mytenkov, Vice President, Russian Union of Industrialists and Entrepreneurs (RSPP).

"Cybercrime is one step ahead. <...> It is necessary to protect all products with quality and reliability," Stanislav Kuznetsov, Deputy Chairman of the Executive Board, Sberbank.

"There is no country in the world where the rights of participants in smart contracts can be adequately protected. <...> Countries do not understand the legal nature of smart contracts," Elina Sidorenko, Leader of the Work Group for the Assessment of Risks Associated with Cryptocurrencies, State Duma of the Federal Assembly of the Russian Federation.

"There are new legal implications and associated risks in the digitalization of business-customer interaction," Nikolai Legkodimov, Director, KPMG in Russia and the CIS.

"Bitcoin and other crypto-currencies are not considered currencies and, therefore, are subject to free circulation. <...> On the other hand, when certain features are added on top of the cryptocurrency, it can become a threat to the economy," Julia Charlton, Partner, Solicitor, Charltons.

### **Business and society not ready for digitalization**

"Now the major task is to solve the two key problems: to convey the consolidated position of big economy and big business in this department to the government. <...> The second one is to help the largest businesses, and small and medium-sized businesses too, to understand exactly what they want, what we are dealing with, and what digitalization is," Elina Sidorenko, Leader of the Work Group for the Assessment of Risks Associated with Cryptocurrencies, State Duma of the Federal Assembly of the Russian Federation.

"Implementing the digitalization project must originate from the customer; the desire and intention to implement the project must be clearly defined," Alexey Shevtsov, Managing Director, Head of Blockchain Technology Development, State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank).

"The most important thing is working with our people. Not everyone is ready to switch to digital technologies," Sergei Mytenkov, Vice President, Russian Union of Industrialists and Entrepreneurs (RSPP).

"We borrow technology terms from the English language, we need to start translating them into Russian," Anatoliy Bobrakov, Deputy Chief Executive Officer, Corporate Affairs, Far East and Baikal Region Development Fund.

## SOLUTIONS

### **Creating a regulatory base for digitalization**

"Digitalization processes regulation should be based on the principles of moderate government intervention in the new economic relations, while retaining the functions of control and supervision in financial markets," Andrey Bugrov, Senior Vice President, Deputy Chairman of the Board of Directors, MMC Norilsk Nickel; Vice President, Interros Holding Company CJSC.

"Digital economy does not belong to certain players or regions, it is of planetary nature. It is very important to agree with parliamentarians from other countries on the terms, <...> so that the most basic concepts are perceived in the exact same way," Sergey Zhigarev, Chairman, State Duma Committee on Economic Policy, Industry, Innovative Development, and Entrepreneurship.

"There is a huge necessity for legal regulation of everything connected with blockchain, crypto-currencies and mining. <...> Many terms are confusing, and people who draft laws, do not really understand that," Dmitry Ufaev, Chief Executive Officer, Bitfury Russia.

### **Creating data security models**

"For a large economy, the way for going digital must be paved not only with legislation that determines the status of participants, but also with a model of security," Elina Sidorenko, Leader of the Work Group for the Assessment of Risks Associated with Cryptocurrencies, State Duma of the Federal Assembly of the Russian Federation.

### **Reorganizing educational process**

"It is necessary to move towards practically dual education. <...> What is now happening in terms of education is rather theoretical, and young people do not like that," Aleksey Mostovshchikov, Co-chairman of Magadan Regional Division, Delovaya Rossiya (Business Russia).