

**ST. PETERSBURG INTERNATIONAL ECONOMIC FORUM
JUNE 20–22, 2013**

**The Global Growth Agenda
TACKLING GLOBAL CORRUPTION AND BRINGING TRANSPARENCY TO
MARKETS
SPIEF Open Debate**

**JUNE 20, 2013
18:00–19:15, Pavilion 4, Conference Hall 4.2**

**St. Petersburg, Russia
2013**

Moderator:

Stephen Sedgwick, Anchor, CNBC

Panellists:

Sergey Belyakov, Deputy Minister for Economic Development of the Russian Federation

Georg Kell, Executive Director, United Nations Global Compact

Boris Titov, Presidential Commissioner for Entrepreneurs' Rights

Front row participant:

Elena Nikolaeva, First Deputy Chairman of the Committee on Housing Policy and Utilities Services, State Duma of the Russian Federation

S. Sedgwick:

I understand that there was another panel on corruption this morning and that it was less well attended. Well done for making it to the CNBC Panel, which is about tackling global corruption and bringing transparency to markets. I think that this is a very broad topic, and it is, hopefully, something we are going to learn a lot about throughout the course of this panel.

Let me just say that this is not about Russia; this is about global corruption. A lot has been written about Russian corruption, and a lot has been said about it as well. But this is a global issue, and I want to give you a case in point of why I believe this is a global issue. I have a Reuters terminal at work. I typed in the word 'corruption'. I did not write 'anti-corruption'. I did not write 'who is corrupt'. I did not write 'who is against corruption'. This is what came up, in the exact order that it came up: cricket, Australia, Argentina, Brazil, the Vatican, Mexico, Latvia, Arizona, Congo, Jordan, Thailand, Britain, Greece, Cuba. I did not see Russia on that list. That is not to say that there is no problem in Russia. It is to say that this is a global problem.

The second thing that I wanted to say about this is that I have been a very busy man this week; along with Mr. Putin and Mr. Obama, I have been in a most beautiful part of north-western Ireland – still part of the United Kingdom – called Enniskillen. There, David Cameron put his hat on a few Ts: taxation, transparency, and trade. Now, as for the first two, a lot of that talk was about chasing down global avoidance and global evasion, but it was also about money laundering. I thought it was very interesting that one of the key achievements of the G8 was regarding an agreement amongst the G8 leaders, including Mr. Putin, Mr. Obama, Mr. Hollande, and the rest of them, to tackle these issues about where money is made and about how, accordingly, it should be taxed.

There are many issues we can discuss on this topic, but there are a few rules of engagement before I introduce the panel. This will be very brief. I am bored senseless with PowerPoints; I cannot stand it when people get up and give me fifty PowerPoint slides. I do not like big speeches either. So what I really want to do is get fast-moving engagement from the panel. I know some of you: I know Georg

already. I know Sergey very well. And I am sure, Boris, that you are a man of the same ilk as well. We have some great guests too; Elena is here with us. What I want is to learn something. And I am going to learn something if you all get involved today. Here is how we are going to do that. We have microphones around the hall. If you want to get involved at any point, try to raise your hand. I will turn a little more to the side so I can see all of you. We will try to get everyone involved. If there is a very good point that you think has been raised by the panel or if there is a point that you want to raise, get involved. I have brought along my iPad – not just because I find it the most fantastic thing that I have ever owned – and I can tell you that SPIEF is interactive; it has become very, very modern. You can get involved by emailing SPIEF2013OD@gmail.com, or you can tweet with the hashtag #SPIEF2013OD. I am going to pick this up sporadically and if any of you are very shy and do not want to speak in front of everyone – and I understand that – you can get involved electronically. It is an open microphone here.

Let me introduce you, very briefly, to the panel. Very quickly, we have Sergey Belyakov, who is Deputy Minister for Economic Development of the Russian Federation. He is also a very good ice hockey player; I have seen this with my own eyes. We have Georg Kell with us as well, who is the Executive Director of the United Nations Global Compact. He has been looking at the standards that are necessary for corporations and what they should be aiming towards, but he has also been cutting down on the numbers when companies have not adhered to the rules. Boris Titov has joined us as well. He is the Presidential Commissioner for Entrepreneurs' Rights for the Presidential Executive Office. He has made some very interesting and provocative comments about amnesty and how we need to discuss this as a global issue.

B. Titov:

You call them provocative comments? No, it is just a programme we are pushing through.

S. Sedgwick:

Well, we will talk about that as well! Finally, I want to introduce you to one more person, a very important person: Elena Nikolaeva, who is the First Deputy Chairman of the Committee on Housing Policy and Utilities Services, State Duma of the Russian Federation. Elena, of course, will be getting involved as much as these gentlemen as well.

So let me open up the topic very broadly. We are going to talk Russia specifically a little later on, but in terms of the broader issues that we are confronting here, Sergey, please lay it down as you see it on a global basis.

S. Belyakov:

Thank you very much. Of course, we do not think that corruption is exclusively a Russian phenomenon, but its effect seriously hinders our development. I would like to express some of my personal fears about this. I do not know how valid they are with respect to other countries. The topic of corruption has been actively discussed: it is unacceptable behaviour, which is disgraceful to support even in the slightest way. However, even as it is condemned, many allow themselves to indulge in a little petty corruption, corruption within business relationships as well as between business and the state. I have specifically made a compilation over the past year of cases that have become known to the public. It shows that the types of corruption I have just mentioned are common in many countries.

We try to fight corruption by putting barriers in place, primarily through legislation, but we are not achieving the effect we want to achieve. We are building a system of barriers that hinder entrepreneurs from being proactive. And although this creates an illusion that we are fighting corruption, in practice all the illegal activities quickly adapt to the new rules. The rules do nothing except obstruct law abiding citizens. Bureaucratic processes are multiplying and making everything more difficult, and when this happens, there is a strong temptation to solve the issue informally. It may be expensive, but it is fast. We take the initiative and create conditions where officials does not take responsibility for their actions, they do not have the right to

choose whether to comply or not. At the same time, we create a great many barriers by passing restrictive legislation.

That does not mean that we should not fight corruption by improving legislation. But it is very important not to overdo it and not to focus on the legal framework, but rather on the practical actions of law enforcement agencies. I would also emphasize punishing the guilty. We have identified many cases of corruption, but the prosecution and conviction of corrupt officials is not always adequate. There are far more sophisticated forms of corruption than just taking ordinary bribes.

We need to hold both parties responsible for illegal deals. In corruption cases, no one is in the right. Everyone is guilty. An entrepreneur or company that knowingly breaks the law is not a victim. All the talk about how hard or soft our legislation is and how easy it is to illegally run a business is immoral. If the legislation is inappropriate, then it needs to be changed, but under no circumstances is it correct to encourage any behaviour that is against the law. Right now, not everybody understands this. I do not think that things are perfect in other countries either since corruption is just as widespread there as well. According to our experts' estimates, the size of the corruption market in Russia in 2012 was USD 300 billion. That is a frightening figure that shows just how big the shadow economy is. According to experts from a respected publication in the US (I think it was the *Washington Post*, but I may be mistaken), in 2008, the size of the corruption market in the US healthcare sector alone was USD 60 billion. That is five times less than in Russia, but that is only one sector. That means that the scale of corruption in our countries is comparable.

I think the reason is the same everywhere. People want to solve problems quickly. A person who makes decisions always wants to sell his services for a higher price. The difference is how authorities react. By not bringing perpetrators to justice, we are helping people form a relationship with corruption at a very young age. That is unacceptable. Political will is a very important factor, and it needs to be shown every time an incident is identified, regardless of an official's rank. Otherwise, we will destroy something more than just business. We will destroy the foundation of the

state. The question is not 'whether' we are going fight corruption. Rather, it is 'how' we are going to fight corruption. If success is still a long way off, that means there is a lack of political will. Priority is given to something else.

It sometimes seems that there is so much evil that you cannot fight it. On the other hand, we have admitted that we have a disease, and diagnosing it is the first step to recovery. Recent cases of corruption in Russia testify to the fact that any guilty person can be brought to justice, no matter what position they hold. That is why I am optimistic.

S. Sedgwick:

Thank you very much, Sergey. You have mentioned many issues there: a lack of political will, the public-versus-private corruption issue, and so on. You are optimistic; it is a disease, but you are talking about a more pragmatic approach. We can come back to all these points in a few moments. Georg, I want to come to you. Sergey outlined some great concerns there, and pointed out that legality on its own and enforcement is as important, perhaps, as new laws. Put this in context of what you are seeing on a more global basis, with the 7,000 companies who have signed up to the global compact. Put this in context with what you are looking for in order to eradicate as much corruption as possible.

G. Kell:

Thank you. It is wonderful to be here. I first want to make some larger points about corruption in general. It is truly a global disease. You find it in the north, in the south, in the east, and in the west. It has to do with human nature, greed, cutting corners, and so forth. It has been with humanity, arguably, from the very beginning. However, in the last ten years, I would argue, a couple of things have really changed. First, technological change is irreversible. Transparency and disclosure is on the rise everywhere. It is increasingly difficult to hide the dark side. From a corporate angle, this means that it does not make sense any more to hide your dark secrets in a corner; they will come out, even if it is something deep down in the

supply chain. So technology is actually helping in the fight against corruption. There is no doubt about that. And this is on the rise globally.

Number two: because of major scandals in the US, in Europe, in Asia – everywhere – corporations have learned that it is a huge risk to allow this to repeat itself. If you want to build value over time, you had better tackle that issue proactively. You cannot be successful, or be a leader on the global stage, if you have systemic corruption in your own organization. You have to tackle it. You need compliance systems; you need zero tolerance, and you need to work with the carrot and the stick. That is because major legislation around the world has changed. The US arguably started it all, with the Foreign Corrupt Practices Act. The OECD followed, the UN followed with the Convention against Corruption in 2003. In Europe, bribery was tax-deductible until recently. A huge cultural change has happened in the last ten years. In Asia, corporations also discovered that, to be successful in the long run, you need clean, sound ethics in place. There are global forces at play. I think support for anti-corruption efforts is growing worldwide, and that is very good news.

S. Sedgwick:

Georg, let me jump in here. Is zero tolerance not something that is wonderful and idealistic, but not necessarily related to the real world? If you have a corporation or a public body, or a government instrument that is working in a certain environment where the ultimate goal is providing a service, or providing housing, in order to provide that housing and to enact that service you might have to cut some corners sometimes because otherwise there is no service; because that is how the culture is; that is how that country is, and you cannot do anything about it. I will use the example of the charities doing work in Africa, for instance. We know that when the charities go and work in Africa, a certain amount of the money that we put into the collecting tin – here in Russia, in the United Kingdom, or wherever it might be – has to go towards paving the way for those services.

G. Kell:

I disagree. Yes, corruption is systemic in many places all over the world but, from a corporate perspective, if you really want to be successful in ethical, environmental, and social terms, you have no choice. If you lead from the top in the right way, you set the tone. Once you allow facilitation payment, for example, to become systemic in your operations, you are on a slippery slope. If you want to have a clean, efficient, lean organization that is geared towards efficiency, productivity, and maximum performance, you want to set the right tone, and you want to fight corruption throughout the organization. This does not mean that it will not happen, but this is why smart corporations put in place systems and report on disclosure; they have an annual requirement; they have compliance officers; they report every year how many people they actually dismiss because of corruption, and that sends an important message to employees. And yes, it is also true that some corporations might lose some business here and there over the years, but, by and large, it makes the organization much stronger.

S. Sedgwick:

Boris, give us your thoughts on what we have discussed as well, about a zero-tolerance approach. I would suggest that perhaps we need a more realistic approach in terms of the pragmatism one needs to show as well. As Sergey said, it is not just about new laws, but Georg is quite rightly saying that if you want to have an organization that is clean from top to bottom, you need to have zero tolerance. What is the right path?

B. Titov:

I would like to examine this problem from a business perspective. I just recently started receiving a salary from the state, but before that I was always an entrepreneur. I have done business in many other countries, and I have never experienced corruption, nor have I even experienced attempted corruption, over the

last 20 years. But in Russia we see corruption practically every day. Every corporation that works in Russia sooner or later is faced with this problem when trying to obtain rank and file permissions or at the higher level, in relation to decisions affecting the whole company. Unfortunately, the problem exists, and it is systemic.

We could discuss the national propensity for corruption at length. But I think that that is absolutely the wrong approach. It is likely that during their history, many states have gone through a period similar to what is happening in Russia now. It was exacerbated in the 1990s when we left behind a much less corrupt Soviet system, and immediately stopped paying a large number of Soviet officials their salaries while still giving them some authority. They were stripped of their income, stripped of their former privileges, and were literally forced to solve their problems some other way. At the same time, a huge, uncontrollable business establishment emerged and made huge profits, essentially by making use of privatized state monopolies. Of course, that caused a surge of corruption in modern Russia.

The second stage happened in the 2000s when we fought back against the legacy of the 1990s. Order was brought about primarily as a result of the funding and efforts put in by the state, not private business. The number of officials increased. And the situation stabilized to a certain extent. But that strategy, coupled with the specific features of a commodity economy, when the state dominates at the expense of private business, led to a proliferation of jobs in government agencies where every official has their own small authority and tries to capitalize on it. So, we are the ones who created all the corruption in modern Russia over the past 20 years.

Now the situation has improved a bit. At least, public attitudes towards corruption are changing. In the 1990s, it was considered a completely normal daily occurrence, but today we have made a significant step towards making it unacceptable. Corruption has become a shameful thing rather than a normal part of the social system.

Video presentation:

It is easy to make money.

There are a thousand Russian and foreign companies doing business in Russia with very clean hands. This is a reality.

Russia is really a conundrum now, because it is so cheap in valuation terms that it is extremely tempting.

Trade between the Ukraine and Russia is going very well, but it could go even better.

The reason that the market has underperformed almost all other emerging markets is that you do not know what government policy is going to be imposed next that could make you lose your economic interest.

Everybody is staggeringly pessimistic about the place. And I cannot see it staying this way. I think it is probably worth having a look at it, as I am doing myself.

We are trying to demonstrate some progress in terms of the general investment climate.

I am continuing to conduct clear, direct, clean business activities.

We share the goals of reforming financial institutions, fighting against tax fraud and tax evasion, and setting the global economy back on track for growth and jobs.

We want to see some improvements in corporate governance. Now, if that happens – and I think it will – then there is going to be a great opportunity in Russia.

S. Sedgwick:

The eagle-eyed amongst you will notice that the video had a bit of a delay; you could see the person talking, and then about five seconds later, they would speak. I hope you followed that. I have been asked by our interactive team here at SPIEF to remind you of the address again: it is SPIEF2013OD@gmail.com if you want to send an email, and #SPIEF2013OD if you want to tweet. We have one tweet in as well: “Where will the will to really combat corruption come from? Will it be from the public on the streets?” I thought that was a very interesting question, and I would like Sergey to be the first to discuss this one, if he will. Public attitudes to corruption,

as I understand it, are changing in Russia. People are accepting it a lot more, according to a lot of the copy that I have been looking at, than ten years ago, when there was more public outrage. Is that a fair reflection, Sergey, or is that simply not the case?

S. Belyakov:

That is a difficult question. I would very much like to say that attitudes are changing. But for attitudes to change, a declaration of one's intentions is not enough. You need results and examples of successful cases and success stories. Then people will understand that they are protected by the government. No one is placed in circumstances where they have to be involved in corruption. It is the opposite. The Government will help a citizen who has information about an attempted bribe in a specific case that he or she has encountered, and the Government will continue to simplify procedures, which might otherwise also become an excuse for corruption. However, I do not think that public opinion has fully changed regarding corruption. There is a huge amount of petty corruption. Let me give you an example. A few years ago, you could buy a diploma, employment record book, passport, or any other document needed to get any type of permit in any pedestrian subway in Moscow or St. Petersburg. You did not have to get it from the Government, and no one was forced to. People did not want to go through the legal procedures to get an education or register. They preferred to issue themselves whatever document they needed. Just because a procedure is difficult is no excuse. A whole generation grew up under this and similar models. I do not want to talk about the history of the end of the Soviet Union when there was widespread corruption due to the difficult economic situation. It is sufficient to recall the recent past. And memories of the recent past are still strong.

S. Sedgwick:

I would like to come in on that, because it relates to a bigger issue as well; when I was last in Moscow, I listened to the Prime Minister saying: "Do not judge us on our

democratic values now, as such a young democracy that has only just come out of the Soviet era in the last quarter of a century; judge us over the longer term period, as well.”

And it is the case, is it not, that we have enormous change from the Soviet era, to the Yeltsin years, and the Putin times now, things are moving very quickly. Are we being too critical, Boris, on the pace of change in Russia, given the enormous upheaval, the change into an economy that is not based on oil and gas, an economy which is embracing, albeit stutteringly, market values?

B. Titov:

We are partly justified by the historical cataclysms that have occurred over such a short period. After all, 25 years ago there was no such thing as entrepreneurship in the country. But we have made plenty of mistakes along the way. The level of corruption could be lower, and the level of corporate governance in the country could be higher. I agree with Sergey. Fighting corruption with legislative change alone is difficult, but it would be impossible without it. Over the last few years, we have adopted four packages of legislative change relating to business, and first and foremost, I defend the rights of business.

S. Sedgwick:

I am going to jump in – what about enforcement? You say you agree with Sergey, but he was just saying that it is not just a case of more and more new legislation; let us enforce the legislation that is there, surely?

B. Titov:

Okay. But let me first talk about what is needed most in order to defeat corruption in our country. We need to develop a competitive private economy. That is not easy. It is time to move away from the commodity economy that has given birth to the corruption of last couple of decades. If competition increases and the number of businesses grows, then a powerful social class of owners and middle class founded

on business will appear in Russia, and corruption will gradually disappear. Our current problem is that corruption is stimulated by the social structure. But if that changes in favour of a middle class of entrepreneurs, then the chance of systematically eliminating corruption will increase. In that case, laws are needed that will support changes in the social structure.

S. Sedgwick:

Before you come in, Georg, and I know you want to weigh in on this as well, I think the point is: is there not a clear link between the stability of the middle class and the level of corruption? Should we not be encouraging the growth of the middle class, instead of waging war against corruption?

G. Kell:

Absolutely. This is about entrepreneurship, at the end of the day, and about building efficient markets; and markets need rules. And for markets to have rules, it takes time. Business over time is demanding a level playing field. Competition and business success must be based on predictability and low transaction costs. Corruption, to put it simply, is a high transaction cost. It does not add value; it takes away value. So if you want to build a competitive economy, clearly anti-corruption is a safe way to go. It takes, of course, time to create the mind-set for it. The good news, I would argue, is that more entrepreneurs are coming up – and I have met many Russian entrepreneurs here at this Forum who are very ambitious and want to grow, like every honest person wants to – who know that the barriers are corruption and transaction costs. They cannot become competitive if they do not have a corruption-free environment. So the pressure from the business community is bound to grow, and that is a wonderful thing.

So, I fully agree that promoting entrepreneurship and thus indirectly promoting the growth of the middle class is certainly a safe way to reduce transaction costs. Let me give you one example of this worldwide. In many places around the world, the business community is now actually standing up, often challenging their own

governments, all over the world, saying, “Look. We cannot become competitive globally if our own institutions do not support us in our transactions. So therefore, please, government, improve public institutions so that we can become more competitive.”

S. Sedgwick:

This is a funny old debate. You are moving ahead of me with what you are saying, and with your interactive questions as well. We already have some solutions. They come from the people, the government, the businesses, the middle classes, entrepreneurs, and from one of you out there, saying, “Why can government not simply pay civil servants enough to make it not worth the risk? So that civil servants stop taking bribes?” I want to bring Elena to weigh in on this as well; Elena is the First Deputy Chairman of the Committee on Housing Policy and Utilities Services, State Duma of the Russian Federation. There are a lot of answers here from people. What are you seeing in your experience, especially in the housing sector and in view of how difficult it is to obtain contracts, licences, housing, land permission, et cetera? You must have come across all of these points.

E. Nikolaeva:

The housing sector has always been very corrupt (not only in Russia) because getting various orders and access to the market is extremely complex. I agree with Sergey. The more you try to make the system transparent and the more barriers you put in place, the more entrepreneurs you will have who will want to speed things up and try to solve their problems illegally. I can compare corruption to a cancer. As long as a tumour is small, it will not hurt the body much, and the body will try to live on. But the more corruption grows, the faster it devours the economy and makes it uncompetitive. In the end, it destroys the whole system. We are at a critical stage where we have to honestly admit that if we do not fight corruption now, then business will not be competitive and the economy will cease to be efficient. That applies to housing as well.

By analysing the procedures for access to land and to various types of infrastructure, we know that a conscientious businessman, who does not want to get around those barriers, will not get access to that land. Those who connive with regional and municipal authorities find the quickest ways to solve their problems. All the expenses of that illegal transaction are added to the product cost. That is why prices are inflated on the housing market.

It is a very sensitive topic, but I agree with Sergey's optimistic view: we have the order and the corresponding 600th executive order of the President, which provide the basis which will enable us to systematically remove opportunities for corruption, by introducing simpler and more transparent procedures.

Corruption not only exists between government and business, but within the business community as well. Local monopolies are extremely dangerous and hard to regulate. For example, there are monopolies that provide public services or access to those services.

The State Duma took a step in the right direction by introducing tougher punishments for officials who try to launder money obtained through criminal activity. Those tactics will help us to fight corruption.

S. Sedgwick:

I have to interrupt here. Your words, Sergey, were “a humongous disease”; your words, Elena, were “a cancer which is spreading”. Where is the optimism? If it is as bad as you both say – and you are in positions where you can see what is going on in public life, in private life, in corporate life – I am struggling to see the leap from the cancer, from the disease, to the optimism. Sergey, do you want to weigh in on this one?

S. Belyakov:

There are two reasons why I am optimistic. Improving legislation, although not sufficient in itself, is a necessary step. We are creating simpler procedures and

stricter punishments when corruption is brought out into the open. This creates a new pattern of behaviour. That is the first reason.

Initially in the post-Soviet era, the legal system did not keep pace with changes in society. But you still had to run a business somehow. Social relationships are formed in the absence of such rules. The alternative model of resolving issues appeared because the state could not regulate this area, or rather it did not regulate it effectively. Now, the state has established a legal system, and with varying degrees of success, it is trying to encourage entrepreneurs to stay within the law. It is not only shameful to break the law; you can be punished for it as well. We need the political will to ensure that any illegal act is punished, regardless of who committed it or where it took place. We should not expect immediate success, but the facts show us that the political will exists and that is my second reason for being optimistic. Thus, society is heeding our call and is starting to behave differently. You may say that society is so big that you cannot change its behaviour in just a few years. You may be right. Toll roads also seemed like a huge task, but time passed and people now pay without a fuss. You have to say this: here are the rules; they are the same for everyone; and if someone does not want to follow them, then the authorities will react accordingly. You have to explain that it is in society's best interests for us to have a tough stance on those who are involved in corruption. No one will be able to use corruption as a tool of unfair competition, like doping in sports.

S. Sedgwick:

We are getting close to the end of this, but one thing I want to do is raise something with Georg that we talked about prior to the panel: we have the Foreign Corrupt Practices Act, the OECD Guidelines, and the UN Convention against Corruption as well. This is an international problem, so surely it has international solutions. We have been talking about Russia as an isolated case, but Russia, actually, as I pointed out with my search, is one of many countries facing the problem of corruption. There are international solutions to this as well. You mentioned

technology. Technology has aided the problem as much as it has solved the problem, has it not?

G. Kell:

True. However, global integration and collaboration between business through supply chains and value chains is helping. Best practices spreading throughout the world through global collaboration is increasingly becoming the norm. Businesses are learning to collaborate against corruption through what is called collective action. If you think of corruption from an individual corporate angle, it is of course a loss. You pay money in order to have a licence to operate and, if you have a choice, you would naturally prefer not to pay. But if you do not pay, you may lose your business. So, what do you do in order to stay in business and not pay for a licence? You team up with like-minded companies who also want to reduce transaction costs. So you form coalitions among like-minded companies that are ambitious, that want to grow, that want to be clean and successful. And that is called collective action. This is happening all over the world, which is a good sign. Often, large corporations provide a major impetus, because they see a huge risk for their own brand, and I could give you a few very prominent global examples of companies that learned the hard way that corruption is not a good choice over time. The fight against corruption is a long one, and it is not an easy one. It has to start in all corners at the same time: demand, supply, et cetera. Through the business value chain, you have an entry point where like-minded companies can form, so to speak, teams.

S. Sedgwick:

What I want to do now is just very briefly get a closing thought on this from you as well, Boris, if I may. Where do we go from here now? How do we move forward, both internationally and in Russia specifically? Then we have one more point from this gentleman here, and anyone else who might want to raise a point can do so,

but they are going to be short questions and short answers as well. Let us hear from you first, Boris.

B. Titov:

Of course, fighting corruption is a domestic issue that every country must deal with, but we must also make use of global experience. We all have similar problems, and there are often similar ways to solve them. What makes us optimistic? In the 1990s, we went to business as if we were going to war. Without any sort of legislative framework to work with, we had our own ways of dealing with business relations and enforcing the terms of a contract. But we have moved past the period when entrepreneurs resolved their problems by force. No one remembers the gangsters or the mafia anymore. We really do not have that problem anymore. We have evolved past that stage. I think that corruption is also a stage in our market development.

S. Sedgwick:

So there is some progress?

B. Titov:

Yes. If business grows in Russia, and if a middle class develops, then corruption will gradually disappear. But we have to help that happen.

S. Sedgwick:

Sergey, we will have a very quick question from you and then there is another gentleman up here, and another gentleman down there. Good! You did not opt for tweeting, I see. Let us get these questions very quickly, and if we can get some really short answers, that would be helpful. Direct your questions to one of the panellists, if you would.

O. Sitnikov:

Thank you very much. Oleg Sitnikov from Novy Urengoy, Yamalo-Nenets Autonomous Area. I have been an entrepreneur for 25 years, and I can tell you about my experiences from the 1990s as well as the end of the 1980s. I would like to say something, and I have the right to say it, having been an entrepreneur for 25 years in Russia's Far North, on the southern shore of the Kara Sea, rather than in its southern resorts. I liked the comparison of corruption to a disease, and I would like to add my own. What needs to be treated: the cause of the disease or the symptoms? I believe you should treat the cause of the disease. There are always two sides that are responsible: the givers and the takers. Let us look at the official's responsibility. If he knows that people are willing to pay him in order to get a solution to their problem, and he has 400 pages of instructions in which he can find a reason to deny a request, then he will deny it. But if you need to work, what do you do? But if the official knows what will be asked of him later, he can justify his actions by saying that he may be punished later. That is all. Thank you.

S. Sedgwick:

These are very important points. I am just going to get a few more points in here. So we have the bribe-givers and bribe-takers, and we need legislation enforcement on both sides of that as well. Thank you very much indeed for sharing your experience with us on that. Let us get one or two more questions in.

N. Sasin:

Nikolay Sasin of Stavropol Territory, Commissioner for Entrepreneurs' Rights. I completely agree with Boris Titov. If the middle class grows, we can combat corruption.

Sergey, you say that right now, legislation has done practically all it can to get rid of corruption. But right now, law enforcement and the judicial system enforce laws

unequally. When special rules are applied to special people, we cannot fight corruption. Thank you.

S. Sedgwick:

Does anyone want to pick up on that? Sergey, selective enforcement of laws, that is a problem is it not?

S. Belyakov:

Of course, I agree. However, I did not say that legislation has developed enough to fight corruption. It is not enough; we must work on it. You have to eradicate those cases where legislation is not enforced equally. That is obvious.

S. Sedgwick:

This gentleman here at the front, please.

V. Boiko-Veliky:

Thank you. Vasily Boiko-Veliky, President of the agricultural holding Russkoye Moloko. I would like to speak about legislation. Over the past five years, RUB 40 billion has been spent on creating a new registration system for property rights – land and buildings. The Ministry of Economic Development was responsible for this. Today, registration is fairly quick and technically accurate. But there is a catastrophic gap in the registration of property rights for plots of land. The cadastral chamber registers land using digital coordinates and ignores facilities that were registered previously using cartographic materials. New information is not checked against old information. The Ministry of Economic Development allowed the cadastral chamber (and this is confirmed by regulatory letters) to not take into account the rights of those who registered in the 1980s, 1990s, and early 2000s. The coordinate method was introduced in 2004.

In practically every region, the cadastral map is a white square interspersed with certain objects. Citizens and corporate representatives try to register land based on

cartographic information, but it turns out that their land already belongs to someone else who came and made it their property on the map. The courts are clogged with lawsuits, and there is no legal regulation. I am constantly having to deal with this problem.

S. Sedgwick:

Thank you very much, indeed. Can we get a brief point, rather than a question?

V. Kurochkin

Vladislav Kurochkin, First Vice President of Opora Russia. I have a question for all the panellists. It is no secret that we are going through a period where the law itself is being improperly used as a tool to make privileged sections of society rich. Because of this, I cannot agree with Sergey's statement that both parties are equally guilty. We are also optimistic, but it is based on the fact that public attitudes are changing. Do you not think that the next step in changing our attitude to corruption should be a revision of the very definition of corruption? First of all, you need to make it clear that we have a system that takes away unjust benefits and privileges. Then we will automatically take the heat off those who pay bribes, so that we can protect their constitutional rights.

S. Sedgwick:

Thank you very much indeed, I know you wanted to come in quickly, if you could?

E. Nikolaeva:

I will try to answer that question. Recently, we have seen attempts to legalize all sorts of preferential treatment through regulation. There was a serious scandal in the State Duma not long ago where a legislative initiative was brought up for discussion that blatantly gave preference to some market participants, in this case retailers. We were very strongly opposed to that initiative. I am afraid that there will

be attempts to legalize unjust profits in the future. You have to carefully monitor those types of threats. I would also be careful with how we define corruption.

S. Sedgwick:

So a pre-emptive system also required there. I am going to let this gentleman speak, he has been very patient, just one more point, and then we will close this panel.

A. Savenkov:

Good afternoon. Alexander Savenkov of the Federation Council and Deputy Chairman of the Committee on Constitutional Legislation, Legal and Judicial Issues, and Civil Society Development. First of all, the most important thing for me is that we are actually talking about corruption in Russia. Secondly, you do not need to oversimplify the problem by saying that there are 'unscrupulous businessmen' and 'unscrupulous officials'. Corruption is a transnational phenomenon. We have gathered here to talk about global corruption. Everywhere, the criminal underworld considers it its main tool. Corruption is weapons, drug trafficking, extremism. When we say that the level of corruption in a country has reached USD 300 billion, we should not forget that the size of the 'criminal economy' is USD 16.5 trillion. Those figures are incommensurable, and that is why we need to fight corruption systematically, not just as individual countries. It is important that Russia is represented in the Organization for Economic Cooperation and Development and that it actively works with Greece. What we are discussing at this Forum is important.

S. Sedgwick:

OK, but you are heartened by the very fact that we are having this conversation, that this conversation is happening in Russia, correct?

A. Savenkov:

Certainly! Especially when representatives of the Ministry of Economic Development talk about how government action is not enough. Just think, could this have happened in our country 10–15 years ago? That is why Sergey Belyakov is doing a good job and doing the right thing.

S. Sedgwick:

I am going to get one more question from Robert, who says, “Is it not rather difficult to fight corruption when the line between business and government becomes blurred?” That is it from the interactive team. Thank you very much indeed for that. That is a new experience for me: getting questions on my iPad as well. I am going to put forward a quick poll. I know that my panel is optimistic; I know that Elena is optimistic as well; everyone is optimistic about the progress that is currently being made in Russia. That is where we have spent the majority of our conversation, in Russia. So I just want a straw poll: raise your hands. Are you optimistic about the progress being made on fighting corruption?

All right. I would say it is probably in the region of 5–10% of people who are optimistic. There is a lot of work to be done, then, gentlemen, Elena. I have had a fantastic time here. I have thoroughly enjoyed it. I think we have got a lot of pre-emptive prescriptions here as well: people changing, protest, government, businesses, government and businesses need to be separated, middle classes, entrepreneurship, international support, international standards and legislation. That is enough to be getting on with, I think. Thank you very much indeed to Boris Titov, to Georg Kell, and of course to Sergey Belyakov. Thank you very much indeed, Elena Nikolaeva. Thank you very much, everyone. I have thoroughly enjoyed this afternoon, and I have learned a lot as well. It is very nice to see you all. Thank you.