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ASIAN BREAKTHROUGH

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Moderator:

Chrystia Freeland, Editor, Thomson Reuters Digital

Panelist:

Oleg Deripaska, President, En+ Group; Chief Executive Officer, Chairman of the Management Board, UC RUSAL

C. Freeland:

Good afternoon. I am Chrystia Freeland from Thomson Reuters. I was really thrilled when the organizers of the St. Petersburg International Economic Forum asked me if I would like to moderate this discussion with Oleg Deripaska, a fascinating figure who I think I first met 15 years ago. I have been following his enthralling career for a long time and it really is a pleasure for me to get a snapshot of where we are today. So thank you very much, Oleg.

O. Deripaska:

Thanks as well.

C. Freeland:

I wanted to start by asking you about the impact a very important development in the world market is having on you and your business. We are now seeing that commodity prices, which have risen so fast for such a long time, are dropping, including for aluminium. What is the impact of that on your future outlook?

O. Deripaska:

First of all, our group is very diversified. We do not just produce commodities. Almost 70% of our production is based in Russia, and we are highly dependent upon Russia's economic situation as well as the international climate. We had a very tough 2008 and 2009, but the situation eased in 2010 and the first half of 2011. However, the problems that were not solved properly in Europe have returned and we cannot expect them to be resolved quickly. Russia will definitely face a lot of consequences as a result of these problems.

First of all, in less than six months, we will be a full member of the WTO, which provides a different environment for competition. Secondly, we face quite a challenging situation in Asia. We have more competitors for space in the market, like Australia and Africa, and we need to consider what the situation will be, not just in the short term, but also in the long term.

C. Freeland:

Do you mean the situation with commodity prices?

O. Deripaska:

Yes. There is no way of avoiding long-term price inflation. There is no other way to solve that problem. There will be no miracle. We can see that, politically speaking, Europe is not prepared to deal with the issues it faces, so the only solution seems to be making the euro a cheap currency. This cannot be avoided. We are already seeing signs in this direction. Europe will then become more competitive in our market and, at the same time, we will become less competitive in their market because Russia is mainly a dollar-denominated economy.

In the long term, I believe Russia has great potential. We are still in the process of modernizing our industries. We have a huge opportunity to develop the local market in services, agriculture, and food processing. There have been tremendous results with Russian agriculture, of which the last three years were actually just the start, and we have more opportunities in food processing and the residential construction sector.

You have to understand that we have low mobility because the Russian occupancy rate is above 95%. That is why, whenever we try to open a new big facility, we also need to consider how we will provide housing for our employees. This is a limited opportunity but, at the same time, it is a great opportunity for growth. This will be highly dependent upon the transformation of the Russian financial sector. At the moment, we have three banks that issue 72% of the debt. If things stay like that, we really need the Central Bank to assume responsibility for changes to monetary policy and their impact upon us. We believe that, as has already been indicated, this will be done properly.

C. Freeland:

Oleg, I would like to ask you to elaborate on one point you touched on just now, which is the impact of Europe and the European crisis, both on your business and the Russian economy as a whole. What is the impact that you are seeing right now, and what is your forecast for how it is going to unfold?

O. Deripaska:

In Europe, they are not adding to consumption. Their figures are staying flat. We do not believe that Greece could be significantly worse at the moment. They just do not consume enough, as is the case in Spain and the other Southern economies. Even the rest of the Europe does not produce more demand. With respect to aluminium and some other commodities, things are staying quite flat. However, at the same time, there is no chance that they will find a political solution to move forward. Only economic measures will be taken, with the Central Bank acting to weaken the euro. A weaker euro will create a greater competitive advantage for their products, even in the agricultural sector, in other economies such as Russia. Russia is a very attractive market for Europeans. This would be the short-term influence on Russia. We will see more products and more competition, with imports entering Russia, especially given the new WTO regulation.

C. Freeland:

We have been talking about the West, so now let us turn our attention towards the East as so many businesses are doing right now. What is your own Asian strategy and how important do you see that direction being?

O. Deripaska:

Last year, the world averaged an 11% increase in aluminium consumption, whereas Asia attained a figure of 18%. For us, that is a clear sign. In transportation, construction, packaging, and the industrial application of our metals, most of the growth will come from Asia. We have a strange situation in China so far, but there are some signs of improvement, and we believe it will prove meaningful.

C. Freeland:

Can you elaborate on the strangeness of the Chinese situation for us?

O. Deripaska:

With respect to our metal, we have seen Korea and Japan become countries that import energy-related products because they cannot be successful in smelting. That would be a clear waste of energy and resources for them. Nevertheless, for its own national reasons, China decided long ago to remain self-sufficient. It has cost them a lot of money to produce a lot of waste. They need to subsidize LNG in the southern provinces and they are subsidizing power production in the inner provinces because they need to subsidize the coal. They are now even subsidizing some smelting capacity, but we believe there will be some change when the government transition occurs next March. They are very efficient in eliminating problems.

C. Freeland:

The Chinese are very efficient in eliminating problems?

O. Deripaska:

Yes.

C. Freeland:

You think they will do that with their smelters?

O. Deripaska:

No doubt. It takes some time.

C. Freeland:

Have you talked to them? Have you had discussions with some of the Chinese leaders about this?

O. Deripaska:

There are regular discussions with Chinese business and a lot of the Chinese companies are state companies. There is a lot of discussion from our side with China's Nonferrous Metals Industry Association, government representatives, the Minister of Energy, and the NDRC, the National Development and Reform Commission. They are clear on what they are going to do because they want to create greater resource efficiency. They are going to boost energy efficiency. Their issue is water and, in the production of aluminium, you produce power using coal. You use a large amount of water, which is a highly topical environmental issue. As a result, we know that there will be restructuring.

C. Freeland:

What other Asian opportunities do you see, not just for yourself, but for Russia overall?

O. Deripaska:

I see demand plus component supply. For example, we used to mainly source from the European part of Russia, with additional imports from Europe, Korea and Japan. Now, we increasingly rely on components that we develop with Chinese suppliers with a significantly improved cost structure. Sometimes we even see a 50% reduction. This is key because they provide the market. They are very good at providing capital and investment. The banks provide debt financing, not just in China, but also in Korea. Things are very slow in Japan, in contrast to other economies in Southeast Asia. What is important for us is that we can develop and manufacture at a new level in Siberia through joint ventures. The development of Siberia was the second post-election priority in the speech delivered by our President. The first was demographics and social issues, followed by complex development and growth in Siberia. We believe that we will be able to improve port facilities and double capacity in the next seven years. Moreover, the railway

company will solve bottlenecks and improve speed and efficiency. We will be improving our border situation in regards to the transit of goods and customs clearance. I believe that all the infrastructure will be in place to boost regional production in Siberia and reach the highest growth rates in Russia.

C. Freeland:

What about the tensions along the Russia-China border? Do you see that in any way endangering the economic possibilities that you describe?

O. Deripaska:

What sort of tensions?

C. Freeland:

Political tensions, resentments, and a fear that under populated Siberia will be overrun by a growing and populous China?

O. Deripaska:

These tensions can be seen only from the West and from Europe.

C. Freeland:

So they do not exist?

O. Deripaska:

No. We cannot feel any tension. There has been no tension between Russia and Mongolia for thousands of years. We have a different concept of development, but still...

C. Freeland:

There is no tension between Russia and China?

O. Deripaska:

China has a very famous saying that a close neighbour is better than distant relatives. You can consider Russia as Asia with a European face. This is the status of Siberia. We are perhaps less developed industrially, but the culture of Siberia is very strong. I just do not believe these stories that there will be some sort of colonization. It is impossible. Do not forget that our compass shows north, and the Chinese compass shows south. The Chinese have always built walls to protect themselves from the north and not from the south. The reality in China is that their entrepreneurial spirit is much more developed.

C. Freeland:

Than in Russia?

O. Deripaska:

Than on the Russian side.

C. Freeland:

Do you feel that those Chinese businessmen are better than you?

O. Deripaska:

They are more active and have adapted themselves to the business needs of their country. There is a lot of regulation and planning, but this is showing very good results. We believe that this is the time for us to develop our competence. We have already created the Ministry for Development of the Russian Far East, which will integrate all programmes through the different agencies and government bodies for efficiency purposes. I do believe that that will be the case. There was a discussion about creating a Developing Corporation for the region, to be based in Siberia, and I also believe that this would be a very efficient instrument.

It is not about just developing infrastructure. Business infrastructure, airports, regional airlines, hotels, a proper education system and improved healthcare also need to be developed.

I believe that Russia could make a lot of progress in the next seven or eight years if we were able to provide a platform that would benefit both the Asian and European parts of Russia. Resources and semi-products are also important. We produce metal in Siberia for customers in the European part of Russia. In Russia, growth in aluminium consumption also reached 18% last year, and we certainly have higher expectations for growth in Russia than in Europe.

C. Freeland:

Oleg, you also referred to Africa in your opening remarks. What are the possibilities you see there? What do you see happening there?

O. Deripaska:

There are a lot of resources, but again, based on our experience, we have few projects there and we were committed not to be in this region. My view is that Siberia and the Far East provide a better platform. It is not just about building facilities and infrastructure. You need to be able to have efficient maintenance in place. We see a lot of projects in Africa, but they have not provided this so far. Perhaps this will be the case in 15 or 20 years, but governments currently have no money to support infrastructure development. Of course, there are unique deposits that will be developed. There is agriculture, which would benefit from a global increase in consumption. However, at the same time, the more I compare Africa, Latin America and even Australia, Central Asia, Kazakhstan, and Mongolia with Russia, the more I see that there are better opportunities here than over there.

C. Freeland:

I would like, Oleg, to return closer to home. You also briefly alluded to President Putin's speech. What was your take on what he had to say?

O. Deripaska:

That change is coming.

C. Freeland:

What is this change? What were the key points that were significant for you?

O. Deripaska:

I would not like to guess at the moment, but it will soon become clear. We now have a new government that will be efficient by the end of the summer. They will have enough time to bring in new people. You see, it is not just about changing the minister. You need to develop a proper team in the agencies and ministries. It is important that they review the status of projects. Even in our business, we conduct a quarterly review of scenarios so we can address our business plan. We have a new situation in the market: coal prices in Asia have already dropped more than 30%. This will undoubtedly have an impact on the Russian energy market. We had a delayed increase in tariffs, which should be further delayed. Let us see how they perform in September, and we will see what reforms will be pushed through by the end of the year. In my view, there is almost a consensus in our society and in the government that changes have to come.

C. Freeland:

What are the top three changes that you would like to see as priorities?

O. Deripaska:

I believe more business should be developed. A more stable society would not just provide enough funds for the budget, which could be used for different purposes, but would also provide jobs and better business solutions. People who train in business could be employed by the government and by the Federal Regional Authority and the Municipal Authority.

My view is that, if we promote business, then we will develop more people who are capable of solving complex problems.

C. Freeland:

So you would like a more pro-business agenda from the government?

O. Deripaska:

Yes. You know, we should really look at our competitiveness. We should really promote a certain area, in which we are lacking in investment and where we are lagging behind. We need to solve infrastructural problems, and we need to have a better communications platform. We have a new minister who was very successful in Tatarstan. It is only through these processes that we will make our business more efficient. The business environment will help to attract investors and to change capital flows.

C. Freeland:

You mentioned the falling oil price a moment ago. How much of a problem do you think that would be for the Russian Government?

O. Deripaska:

It is not much of a problem, and I would not say it will fall by much. But gas, more specifically shale gas and the new energy basket, could be the issue. Again, I do believe that more energy efficiency, which was already necessitated by high tariffs, is important, alongside more reasonable tariffs that are based on fair assessment. This would create an opportunity to have slower growth in tariffs here in the European part of Russia. You may know that the Siberian tariff system is completely different, as it is based on hydroelectric power. Our price is half as much as in Europe. However, electricity prices are too high in Europe.

That is why oil, gas and a new coal price will create more opportunities for businesses to grow. As far as the government is concerned, the government takes

more taxes by helping to build a better environment because it is clear that if businesses pay less tax, they produce lower profits on Russian territory. They must provide greater incentives, as they did when they implemented the rate for income tax. Even foreigners who are employed by us choose to become Russian residents because it is more efficient as a result of the 13% flat rate.

C. Freeland:

So your foreign employees are tax evaders?

O. Deripaska:

Everyone makes their choice in different situations. You can do it if you are a US citizen. It is different if you are in the UK, Europe, or Asia, but there was a great incentive for business to come out of the shadows and produce more taxes.

C. Freeland:

Do you think that reform should go further?

O. Deripaska:

I think that it will not be demonstrations in Moscow that change Russia. The engine of change will be more business opportunities in the regions, the jobs we will create in medium and small-sized businesses, and the proper development of the banking sector, financial institutions, and debt and capital markets. Infrastructure will simply give us easy access to resources.

C. Freeland:

I would like to return to a comment you just made, that more demonstrations in Moscow are not the thing that will change Russia. Do you think the demonstrations are negative or that they are a bad idea?

O. Deripaska:

Not for business.

C. Freeland:

They are not negative for business?

O. Deripaska:

No.

C. Freeland:

Are they negative for other reasons?

O. Deripaska:

They do not address the issue. By this, I mean the true issue in Russia.

C. Freeland:

Which is?

O. Deripaska:

Development. In 1991, we said that we would build a better system. We dismantled the Soviet Union with the best intentions. We have not made progress in 10 years.

C. Freeland:

No progress in 10 years?

O. Deripaska:

For the first 10 years, there was not much progress.

C. Freeland:

Was privatization not a significant step?

O. Deripaska:

To create what?

C. Freeland:

To create wealthy businessmen.

O. Deripaska:

The wealthy businessmen were not always created through privatization, but rather through their hard work.

C. Freeland:

How about democracy? Was that created in the first 10 years?

O. Deripaska:

There is no democracy of slaves. First of all, you need to create freedom in society, and freedom is based on independence. If you look at the people, how many of them really have true independence? I believe they sometimes produce something for a service, but if the service is consumed by the government or a state enterprise, how is that independence? Are they really independent from the State? My view is that freedom should be based on economic freedom. You can announce a lot of things, but if your life depends on someone else, then it will eventually turn around and be even worse.

C. Freeland:

I am going to ask Oleg a couple more questions, but please prepare your own because, five minutes from now, I am going to turn it over to questions from the audience. So get ready with your questions. I know that this is a rare opportunity to speak to him directly, so please be ready.

Oleg, moving onto some more specific issues, you alluded right at the beginning to WTO membership. When do you think that is going to happen and how significant will it be?

O. Deripaska:

It will happen in six months. I mean, after all, we are to meet in mid-October or November.

C. Freeland:

First Deputy Prime Minister Igor Shuvalov predicted to me today that it will be September 1. Do you think he is being a little optimistic?

O. Deripaska:

It does not matter. It is irrelevant, as there is a conditional implementation period. There is a different set-up for different groups of product and services. Let us not forget that this is not a declaration of a market economy. Instead, it is a commercial agreement between a group of countries that follow their own targets. It is just a new environment in which Russia will be integrated into an existing set of agreements.

C. Freeland:

How significant will it be for you and your business practically? Will it make a difference?

O. Deripaska:

No. We have been preparing ourselves for the last 10 years, and Russia has been conducting negotiations for 17 years. I feel that we are very prepared. Some of our customers will be hit. New customers will come, but I feel it could have been done better with regards to the terms on which we agreed, compared to what we have seen for Brazil, India and others.

C. Freeland:

Were Russian negotiators too soft on this?

O. Deripaska:

No. When we started negotiations, our economy had a different structure. At the end of the day, this is a commercial agreement for products and services. Nowadays, we have a different economic structure and maybe today some of the terms are too soft, and maybe we focused on issues that are no longer relevant. You just cannot count solely on the WTO. You have to take currency policy, monetary policy, and the tax regime into account. Furthermore, we have a new, even more competitive structure than the WTO, the so-called Common Economic Space between Kazakhstan, Belarus, and Russia. Additional countries will become associated with this set of agreements. Of course, the environment will become more transparent and more open.

C. Freeland:

Is Jackson-Vanik significant? Does that matter?

O. Deripaska:

No.

C. Freeland:

No?

O. Deripaska:

It is just part of the political game.

C. Freeland:

Are you going to sell Norilsk Nickel?

O. Deripaska:

Not at this price.

C. Freeland:

Do you want to tell us what price you would sell at?

O. Deripaska:

We can negotiate. Are you going to make an offer?

C. Freeland:

I am not empowered to negotiate, but I can ask.

O. Deripaska:

We can start. Norilsk is a unique asset and is a company that could solve China's problems for the next 100 years. The same is true of RUSAL, another unique company. We can solve the problem and we will stay competitive for the next 50 years. We will produce more and diversify our product portfolio. If you want to invest somewhere, technically speaking, you need to focus on the cost and the first quartile of the cost structure. There is a unique opportunity for us out there and we believe we can improve our investment.

C. Freeland:

But you would sell at the right price?

O. Deripaska:

It is not about selling.

C. Freeland:

Well, you asked me at what price.

O. Deripaska:

That was just to spice our discussion up a little bit. If you want a price, we can discuss price but if you want to focus on reality, we believe that it is a great asset. It provides us with an easy opportunity for diversification. We resolved to stay focused on the aluminium market and, as I said, we will develop new technology and build new plants, with new technology, in the next 12 years. In my view, this would be a revolution. Norilsk is a great mining asset in Siberia. If Norilsk were to focus on development in Siberia, then this company's results would be very different and the value of the company today would be tripled. I have no doubt about this. There is no better asset for Russia. Eastern Siberia and the Far East have created a unique platform for development. Remember, what mining companies are left operating in Siberia? Alrosa is pretty focused on diamonds and lacks cash flow. The steel companies, Severstal and Mechel, are developing their own programmes and I cannot see them going there and opening new developments. The others are oil and gas companies such as Rosneft and Gazprom. We have a huge resource base and this is a company that should tap those resources.

C. Freeland:

OK. I promised that I would turn it over to the audience. We have 15 minutes left. So, questions please. I can keep on asking questions if no one else has any. Please.

From the audience:

Yes, hello. My question is: how do you think the continuing crisis in Europe is going to affect developments in Asia? It is obviously not going to end soon. Do you think it is going to spill over to Asia or to Russian companies in terms of access to capital? Thank you.

O. Deripaska:

This crisis is not about Europe. Rather, it is about investors and how quickly they can cool their heads and assess how much Greece or Spain truly consume and how big the balance-sheet losses are in their banks in the worst-case scenario. It is difficult to say. You need to have either a priest or someone who is capable of reading other people's minds.

C. Freeland:

Do you not have any such people on your staff?

O. Deripaska:

We have, but it is our own proprietary competency! In my view, there will be no political solution. People will never change their ways, and society is not ready as far as we can see. Even Greece was fighting it. It is a matter for their elite and how quickly they could develop a national development plan without the need for new subsidies or support from European funds. But in reality, there is only one measure that can be taken. This would be a proper currency policy to make the euro more competitive against the dollar. This would create an opportunity, but they obviously need to interact more with investors, as the European Union cannot provide yet more investment in this part of Europe. In five years, Europe should be able to solve this problem, but we see growth in Asia. By the way, Europe cannot simply abandon the products that Asia produces and exports to Europe. It is now clear that efficiency in Europe also relies on Asian supply. So, Asia will grow on its own and we will perhaps see a slow growth rate for this year. However, we need to be patient.

C. Freeland:

OK. Please.

From the audience:

You said RUSAL would pay dividends when the aluminium price reaches proper levels. What is this figure for the proper level, and at what time do you think the market could reach it? Thank you.

O. Deripaska:

It is more complex than that, but we will see a very significant improvement at over USD 2,500.

C. Freeland:

You are not going to say what the level is?

O. Deripaska:

USD 2,500.

C. Freeland:

USD 2,500.

O. Deripaska:

We will see a very significant improvement.

C. Freeland:

OK. Another question here, please.

From the audience:

Oleg, there are two conditions you mentioned regarding success in your industry. The first one is access to funding, and you have been quite a visionary in tapping Asian markets. You mentioned the concentration of the banking sector in Russia. Where do you see the source of funds coming from to fund the future development of this sector? My second question is, in many other economies, it is the private sector that has funded a lot of the competitive infrastructure that is necessary for

success. Do you see the government being sufficiently committed in terms of the infrastructure that is required?

O. Deripaska:

There is no doubt that, for the next 10 years, we are firmly in the hands of state funding all around the world, in order to balance investor concerns, combat the volatility on the market, and provide a structure for long-term projects. It is down to the government and, unfortunately, even long-term institutional investors have changed their policy and practice. No one wants to have a bad result at the end of the year. That is why it is clear that the government should provide solutions, not just in Russia, but in Europe and the United States. The government should provide reasonable policies to help the industrial sector remain competitive all around the world. This would involve a currency regime and all these types of monetary easing across the sectors. It is unfortunate that we have reached this stage. We have seen that in both China and Korea in Asia, there is still an appetite for long-term investments, and they are still capable of encouraging themselves to make such investments. Yes, they are also very price-sensitive and they want to take more opportunities in the current circumstances, but again, we are dealing with this.

C. Freeland:

OK. Our time is coming to an end, so I will take two questions in a row. So, please there and how about there?

From the audience:

Oleg. If you were the Russian President, what would be your three main decisions for the development of Russia and Asia?

C. Freeland:

If you were the Russian President?

From the audience:

The President of Russia.

C. Freeland:

OK. The presidential platform of Oleg Deripaska. Actually, I am going to ask him to answer that immediately. So, what would be your top three points?

O. Deripaska:

It is such a difficult job. No one wants to be Russian President, except maybe Prokhorov. But there are precious few others.

C. Freeland:

OK, but what would your three points be?

O. Deripaska:

Unfortunately, politicians are not in Siberia as often as I am, so, first of all, we should offer a proper image of Siberia. There is a famous saying from our old scientist Lomonosov that Siberia is the treasury of Russia. First of all, Siberia is a proper environmental platform to develop a new Russia. We all suffered from the Soviet Union plans and saw how the environment was badly damaged in our cities and regions. Siberia is, first and foremost, a unique environmental site and we need to keep it and develop its resources and infrastructure. We need to be focused on keeping it because Siberia literally produces fresh air for the whole of Asia. We will produce water for all of Asia and not just commodities. We need to keep developing it. That is why standards for the development of infrastructure should be very different.

C. Freeland:

OK. So point one is to develop Siberia in an environmentally friendly way?

O. Deripaska:

Thank you.

C. Freeland:

What is point two?

O. Deripaska:

Of course, as I said, we need to develop social infrastructure. By this I mean proper logistics, airports, port, regional airlines, universities, and the healthcare system, because this provides a platform. We have experience building large-scale hydro plants and smelters alongside infrastructure. At a maximum, we employ more than 125,000 people. Then when the project comes down to its industrial phase, employment declines to 8,000 people. There are of course more businesses that are related, such as services and social businesses.

C. Freeland:

OK. Oleg, I am going to interrupt you because you have to get to your third point and many people have questions.

O. Deripaska:

We need to provide accommodation for these people. We must avoid disturbing the people who live there. This is important because, by analogy, if you try to do a Russian-style refurbishment in the kitchen, the whole apartment is under stress. It is the same here. If you start a big refurbishment in Siberia then there would be huge pressure on the people who live there in the environment. Secondly, we need to provide solutions for the problems that exist in the long term.

Thirdly, we need to provide proper conditions for foreign investment because, at the moment, we are talking a lot about restrictions and there is a problem with investment. But in reality, there are a lot of start-ups that control good mining licenses. It is easy to buy them, but then you just start trying to recapitalize via the

smelters and major corporations. You are not providing a new plan for development, nor are you providing infrastructure. I think that it is unfair when you trade resources without any development, as we have seen in Mongolia. Mongolia has the same situation as Russia. It was open even before Russia decided to open Siberia. No progress was made because there was no proper set of rules and conditions on how investors could exploit the resources. Everything should be fair and open. I believe that the Development Corporation for Eastern Siberia and the Far East would be a good partner with which to work.

C. Freeland:

OK. So, I am going to summarize very quickly the Deripaska Siberian Presidential Platform: the environmentally friendly development of Siberia, social welfare infrastructure development of Siberia, and good conditions for foreign investment.

O. Deripaska:

Yes, but I am happy to donate this platform to Mr. Prokhorov, or anyone who wants to run.

C. Freeland:

It could be a part of the Norilsk deal that you do.

OK. I will take three questions at once because time really is running out. Just one question each, please.

From the audience:

Oleg, at this morning's IT sector panel, there was an issue that was raised. It was said that there is a shortage of marketing professionals, both in sales and on the entrepreneurial side. It was suggested that it would be good for the sector to run a PR campaign promoting entrepreneurship, because in general Russians have a negative view of entrepreneurs. In your opinion, is this a good idea?

O. Deripaska:

This is a very good idea. That is why I believe in Siberia. There is a lower population density and fewer problems than in Moscow. It is less bureaucratic and more flexible in terms of regional negotiations. I truly believe in Siberia. We need to explain that. Anyone who has tried to do business in Africa, India, or even in China knows that it is easier to do business in Russia.

C. Freeland:

Is it much easier than in China?

O. Deripaska:

It is even easier than in India, where we have a lot of experience.

C. Freeland:

OK. So Russia is a great place to do business. That can also be a part of your presidential platform.

Any further questions?

From the audience:

Today we have been discussing the question of how to cut a window through to Asia. China represents a massive market. Russia also has a lot of experience in mining. Between the two countries lies Mongolia. Lately, there has been a lot of interest in Mongolian natural resources, both from the Russian and the Chinese side. Do you personally, or does your company, have a view of how this situation is going to develop?

O. Deripaska:

As I said before, together Kazakhstan, Mongolia, Siberia and the Russian Far East constitute a united platform that can be used to solve problems. In our discussions, Mongolian representatives have also raised concerns about environmental protection and about the preservation of the Mongolian way of life and the unique atmosphere that exists there. It seems to me that Russia, Mongolia and Kazakhstan all face the same problems.

As Russia solves its infrastructure problems, it offers both Kazakhstan and Mongolia the opportunity to join in on this process. In other words, we are all in the same boat.

C. Freeland:

OK. This is quickly turning into a Kazakh and Mongolian platform. Our last question please.

From the audience:

Thank you. Oleg. You sound pessimistic about Europe's debt crisis, and I am just wondering if you have already prepared your business for possible problems and if you are already in discussions with the state on any kind of state support for your business? Thank you.

O. Deripaska:

So far, we do not need any state support, but it is a problem for Russian producers who work in the Russian market. We will have import pressure from euro-denominated products and supplies while, at the same time, this will be an opportunity for our car companies. They will be able to source components from Europe more easily and they will be more effective. In general, it is very difficult to see whether the balance would swing in favour of Europe or Russia. All I am saying is that they are not going to be able to find a political solution, and the banking solution will bring us to the point where the euro will be weaker. That is very simple.

C. Freeland:

I am just going to ask a quick follow-up on that. Let us imagine a bad scenario for Europe, that there is a crisis of the eurozone, a collapse of the eurozone and that there is a repeat of 2008 for the rest of the world. Will the Russian government have to come in to support Russian business as it did then?

O. Deripaska:

The Russian government is capable of doing that, but there is no chance of that happening. This is a different crisis from 2008. They are two different crises.

C. Freeland:

So there is not going to be a big bang?

O. Deripaska:

The USA will not collapse and Asia will keep growing. Europe should do what they have put off for perhaps the last five years. Yes, consumption will be down or maybe stay neutral for a few years, but, at the same time, they will not drown the rest of the world. I have no doubt about this. No one doubts it.

C. Freeland:

OK. Well, that is actually a very positive note on which to conclude. Europe will not drown the rest of the world. Before letting you go, I have two very quick blitz questions. The first one is: Europe will not drown the rest of the world. If that is the case, what is it that keeps you up at night? What is your biggest worry right now?

O. Deripaska:

I still sleep well. Do not worry.

C. Freeland:

No worries?

O. Deripaska:

You have to deal with problems. This is the Russian experience for the past 20 years. We live each day facing a different problem and we are capable of solving it.

C. Freeland:

OK. This is my final question. This morning I interviewed Jim O'Neill, the Goldman Sachs economist who is the inventor of the concept of the BRICs. Journalists are very good at outsourcing thinking to other people. So I said, "Jim, what should I ask Oleg Deripaska?" I will tell you the brilliant question that Jim asked me to ask. He made me promise that I would ask it. He wants to know what is going to happen at your party tonight, and how much fun will it be?

O. Deripaska:

Let us see. I am a little surprised about that. He invented BRICs. People very often try to simplify things and, in my view, Russia will perhaps not jump ahead in the next two or three years, but we are still going in the right direction. We need to devote more effort to developing business and we need to be clever enough to study the mistakes of other countries in developing our business in our own society. The new platform that we are trying to develop with Kazakhstan and Belarus is taking its example from Europe. If we focus on problems and their solutions and how to make life better for business, then business will turn around and produce more jobs. There will then be more people capable of moving Russia forward. We have seen the new government, and there are good signs. There is a new group of people and we believe that they will bring people from the business world into their departments. It is not about the minister, but rather who is behind them and how capable they are of understanding the problem and fixing that particular problem quickly. That is why we are perhaps not well suited to the BRICs in terms of growth and some other parameters. Nevertheless, I do believe that Russia will demonstrate good results in six or seven years.

C. Freeland:

OK. I note that Oleg has failed to answer Jim's question, I am going to count on the Russian journalists, maybe any gossip columnists in the room, to answer it for us tomorrow. Thank you very much, Oleg. It has been a pleasure talking to you.

O. Deripaska:

Thank you, Chrystia.

C. Freeland:

Thank you.