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Plenary Session
SUSTAINING CONFIDENCE IN A WORLD UNDERGOING
TRANSFORMATION

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St. Petersburg, Russia
2014

Address by the President of the Russian Federation Vladimir Putin and invited heads of state and government

Moderator:

Geoff Cutmore, Anchor, CNBC

Panellists:

Khaldoon Khalifa Al Mubarak, Chief Executive Officer, Mubadala Development Company

Jon Fredrik Baksaas, President and Chief Executive Officer, Telenor Group

Shiv Vikram Khemka, Vice-Chairman, Chief Executive Officer, SUN Group

Patrick Kron, Chairman and Chief Executive Officer, Alstom

G. Cutmore:

It is OK, you can clap if you like! What a wonderful audio-visual presentation.

Mr. President, distinguished guests, ladies and gentlemen, I would like to warmly welcome you to this panel this afternoon.

The title of the panel is 'Sustaining Confidence in a World Undergoing Transformation'. My name is Geoff Cutmore, and I am your moderator for this event today.

Before we move on, what I would like to do is invite on stage the business leaders who are going to join our discussion here for this panel.

From France, Patrick Kron, Chairman of the Board and CEO of Alstom. Alstom is an engineering group specialising in power and transport. The company has partners and customers in Russia, and a long history here. Mr. Kron, thank you.

From India, Shiv Vikram Khemka, Vice-Chairman and CEO of SUN Group, a fourth-generation 112-year-old family business, in Russia since 1958. The company has mining and other interests still in Russia.

From Abu Dhabi, Khaldoon Khalifa Al Mubarak, the CEO and Managing Director of Mubadala Development Company, which is a USD 60 billion sovereign wealth fund with investments around the world in key economic sectors. Mubadala, of course, as you know, is a partner of RDIF, the Russian Direct Investment Fund.

And I would like to invite from Norway, Jon Fredrik Baksaas, the CEO of Telenor. Telenor holds a 43% stake in VimpelCom. It is, of course, a major investor in telecom services around the world. Sir, thank you very much indeed.

Ladies and gentlemen, we have our business people on our panel. Let me now please welcome our host, the President of the Russian Federation, President Vladimir Putin.

B V. Putin:

Ladies and gentlemen, colleagues, welcome to the St. Petersburg International Economic Forum.

Looking at the audience, I am happy to see our old, well-established friends alongside some new faces; the heads of major Russian and international companies; representatives from leading international business associations; everyone who views Russia as part of their long-term strategic priorities; everyone who recognizes the importance of partnership in furthering global development. We highly value this spirit of cooperation and dialogue, and your independent convictions free from the influence of fleeting trends. Consistency and openness are always met in kind with confidence. Confidence is, first and foremost, a willingness to compromise, to find mutually acceptable solutions, and to work and act together. It is this concept which is the main theme of our Forum: 'Sustaining Confidence in a World Undergoing Transformation'.

Our world is changing rapidly. We are witnessing colossal geopolitical, technological, and structural shifts. The unipolar model of the world has failed: this is obvious to everyone, even those still trying to follow the old system of coordinates; to maintain a monopoly on power; to dictate their own rules of the game in politics, in trade, and in finance; and to impose cultural and behavioural standards.

The global economic upheavals of 2008 offered vivid proof that the development model built on unification and domination – or at least attempts at domination – is in deep crisis. It should have served as a serious wake-up call, helping us to see and understand the world in all its diversity, to embrace the new realities and newly evolving relationships in all their complexity.

Instead, we have frequently been confronted with an unwillingness to listen to new leaders in global development, to take into account alternative points of view, and to truly adapt the framework of international financial institutions to the changing world, rather than simply pay lip service to it. Today, IMF reform has stalled while the Doha Round, designed to establish new, fair rules for international trade, is barely moving forward.

Ladies and gentlemen, this is an economic forum, but we cannot completely avoid politics. Politics affects economic processes. In this regard, I must note that inability to seek compromise, unwillingness to take into account the legitimate interests of one's partners, and direct pressure only serve to promote chaos and instability, and put the future development of the entire global community at risk. Will anyone benefit from disrupting the measured pace of Russia's cooperation with the EU; from putting the brakes on joint efforts in such globally pressing areas as developing nuclear safety; combating terrorism, transnational crime, and drug trafficking; and other urgent issues of the day? Will this make the world more stable, more predictable? Probably not.

It also seems obvious that in today's world, economic sanctions used as a tool to apply political pressure have a boomerang effect and in the end, affect the economies and businesses of the very countries that initiated them. I can easily understand the anxiety felt by foreign entrepreneurs who have invested hundreds of billions of dollars in Russia, built excellent reputations here, and are operating successfully in our country. I am talking about engineering and mechanical engineering companies which have used Russian orders to fuel their growth, or, for example, the European tourism industry, largely tailored to visitors from Russia. So now, successful companies will have to incur losses and give up their hard-won positions and huge market to their competitors because of an untenable policy?

We cannot change the logic behind global political and economic development. As I have already mentioned, we live in a multipolar world. Nations want to define their own future, preserving their cultural and historical identity; their identity as a civilization. This changes the entire geo-economic map of the planet. New alternative centres of economic growth and new trade and investment routes are springing up; new integration groups are forming and becoming stronger; and the need for collective leadership capable of making consensual, coordinated decisions, rather than those imposed by any particular party, is growing.

It is also clear that many of the world's largest economies and regional associations are seeking to expand cooperation, to build new lines of communications, including through the BRICS group, the G20, and the Shanghai Cooperation Organization. In addition, Russia and its neighbours are currently working on a major Eurasian integration project. The signing of the Eurasian Economic Union agreement on May 29 in Astana will undoubtedly be the high point of the year for member countries of the Customs Union and the Common Economic Space. The agreement will go into effect on January 1, 2015. It will unite three countries with a total population of more than 170 million in a common market with free movement of capital, goods, services, and people. It will offer the business community much wider opportunities for implementing joint investment and cooperation projects in external markets.

Colleagues, ladies and gentlemen, I am confident that this will help our foreign partners to enter our common market, especially since this integration model is built on the WTO framework. Very soon, with the agreement of all partners, we hope to finalize Armenia's entry into our integration union. We are also going through the same process with our Kyrgyz colleagues. We see significant opportunities for cooperation between the Eurasian Economic Union and the EU. But our colleagues are still refusing to negotiate with the Customs Union: we are told that the EU is willing to work with each individual country, but not with the integrated body. This sounds strange: we are willing to work with individual European countries and with the EU as a whole, with Brussels – so why do we merit such a different approach?

I am happy to see so many entrepreneurs from Europe here with us today, ready to work with Russia. I must stress that we value this pragmatic, mature attitude shown by European business leaders. We sincerely hope to continue on this road, finding new opportunities for business cooperation and removing barriers to trade and investment. We call on the EU and on individual European countries to make consistent progress on concluding a new framework partnership and

cooperation agreement between Russia and the EU. We believe this document must contain a powerful and very clearly defined trade and economic package.

And of course, we must promote stability and ensure certainty in the strategic sphere of energy security. Russia has always valued its reputation as a dependable energy supplier to Europe. Today, the supply of Russian gas to Europe is under threat through no fault of our own. Everybody is well aware of this: this threat comes from a transit country, Ukraine, which has abused its position as a transit route for our gas deliveries to Europe.

This is an incongruous situation: Ukraine recognizes the contract it signed in 2009, which remains in force. Incidentally, this contract was signed by people who still occupy their old positions in the Ukrainian government. Ukraine signed it, abided by it for several years, but is now refusing to pay unless it receives benefits not defined in the contract. We hear Ukraine is dealing with a difficult economic situation. We understand – and we do not just understand, we behave like true partners and try to help. Last year, as you know, we extended a massive credit line of USD 3 billion to Ukraine, and we offered discounted rates for the first quarter, on the condition that Ukraine repays its existing debt and makes regular payments.

Not only has the debt yet to be repaid, it has grown, and Ukraine has stopped making regular payments, even at the discounted rates. Let me repeat this: they refuse to pay even at discounted rates. So, where is our money? What happened to our billions of dollars of aid? Since the contract was violated, Gazprom has reverted to the full payment schedule defined in the contract. We did not impose any new conditions. We did exactly what we had agreed to do when we extended the credit and offered the discount.

Yes, problems do exist, but I am positive that they can all be solved: all we need is constructive dialogue. I explained this position in my address to the European leaders. Unfortunately, we have yet to receive a clear, direct reply. Still, we hope

for an adequate, reasonable response from our colleagues. This would benefit all sides: Russia, Ukraine, and the European countries.

This audience is made up almost entirely of entrepreneurs. You understand that I am not talking about the debt here (which has now grown to USD 3.5 billion). The thing is, if we round it off, we have supplied Ukraine with nearly 10 billion cubic metres of free gas. This is the equivalent of our annual supply to Poland. Who among you would be willing to supply so much of your product for so long, free of charge? It is simply ridiculous. There are certain boundaries which cannot be overstepped. I will repeat: we still hope to come to an agreement, like a family, so to speak. We understand they want discounts. But we ask that they at least repay the debt that was accumulated while the discounts were in place. But they still refuse to pay. What are we supposed to do?

Nevertheless, we are determined to expand the horizons of our development and to continue to explore new, promising markets for energy, investment, industrial cooperation, and the export of non-commodity products. As a Eurasian power, it is only natural that Russia is especially focused on the Asia-Pacific region. This is a huge market for us, and of course, a crucial element in the development of the Russian Far East and Eastern Siberia. Just the other day, we closed high-level negotiations between Russia and China, launching a new phase in our comprehensive partnership and strategic cooperation. Our economic ties are also entering a new stage of development. During our visit, we signed over 50 agreements, both involving the government and business, to the tune of tens of billions of dollars.

By 2020, we plan to double the volume of trade between the two countries, increasing it to USD 200 billion. Today, China is our biggest single-country trading partner, with approximately USD 90 billion in trade. We plan to consistently increase the use of roubles and yuan in our dealings. We are setting up joint investment and banking structures. This network will allow us to finance major global projects in the fields of infrastructure, mineral extraction and

processing, industrial and aircraft engineering, and knowledge-intensive industries. Russia and China are also systematically moving closer to establishing a strategic energy alliance that will lay the foundation for the energy security of the entire Asia-Pacific region. It is clear to us that this economic partnership will stimulate economic growth in both China and Russia, and considering the size of our respective economies, will be a significant factor in global development.

I must note that during our visit, we signed a number of contracts to supply Russian natural gas to China. These contracts are worth an impressive USD 400 billion. The price of the gas is calculated using the standard formula based on the market price of oil and oil products. These deliveries will rely on two new fields discovered in Russia's eastern regions: Kovykta and Chayanda. Each field has confirmed extractable reserves of 1.5 trillion cubic metres of gas, for a total of 3 trillion cubic metres. The term of the supply agreement is 30 years. But the actual reserves will be higher: the fields could supply enough gas for up to 50 years of deliveries, and could, naturally, also expand gas supplies within Russia.

We do not yet have precise numbers for Russia's total investment in this project over the next four to six years, but it will be approximately USD 55 billion. The project will involve the construction of helium plants and chemical gas refineries; new gas supply, transportation, and energy infrastructure; and the creation of thousands of new high-tech jobs. Let me stress – and I will not be exaggerating – that this will be the largest construction project in the world. China, for its part, is set to invest USD 20–22 billion in building the appropriate infrastructure.

The project will also boost the mining and metallurgy industries – which is very important for us – as it will require the manufacture of pipes and expand gas supplies within the country. The chain of events is clear: to create a gas infrastructure, we need pipes; by ordering the necessary quantity of pipes – and we will need a lot of them – we will stimulate the metallurgy industry, which will, in turn, stimulate the mining industry, and so on.

The next stage in our partnership is to jointly establish a western supply corridor linking China with the West Siberian deposits. This will help us to consolidate our western and eastern gas infrastructure. China is becoming the largest single-country consumer of Russian natural gas alongside Germany. Once the western supply corridor goes online, it will undoubtedly take the lead. I know that one motive behind our Chinese partners' eagerness to work together is the ecological benefit it will bring to China's major cities. As we all know, the transition to gas in major cities significantly improves the environment.

Ladies and gentlemen, Russia is changing: our standard of living and quality of life are rising; our social provision, healthcare, and education are improving. During a recent meeting with global business leaders, we spent a few minutes discussing certain issues. Our colleagues pointed out that these are the factors that influence productivity, the factors that define success in today's world: education, healthcare, and so forth. I will remind you that up until recently, experts and business analysts looking at the long-term outlook for our economy would say that Russia's negative demographic trends were only going to get worse, creating, as we all know, some very difficult challenges. So, what progress have we made?

Today, despite all the difficulties, we can present figures which clearly show that Russia has managed to overcome these trends, and has been able to move forward in tackling this historical issue and climb out of the 'demographic trap' predicted by experts. Last year, for the first time since 1991, Russia's population grew. The growth rate is still nominal, but it indicates a new and positive trend. For the first time, average life expectancy in our country approached 71 years. It might not be the highest in Europe, but this is progress nonetheless. Mortality rates are also continuing to fall, including mortality from cardiovascular diseases. We currently have the lowest – let me repeat: the lowest – maternal mortality rates in the history of our country, including the entire Soviet period.

I will say it again, in terms of many quality of life indicators, as well as median incomes, we are entering a new qualitative stage. While many other countries spend decades working on such issues, we have managed to achieve these demographic and social gains within a historically short period of time. But we are aware that we still have plenty of issues to solve, including economic issues. This is a complex situation.

Of course we can point to plenty of successes. I will give you a few examples. Over 70 million square metres of housing was constructed in Russia last year: the highest amount in more than two decades. The construction industry, as you know, is considered to be the engine behind any economy. Today, Russia's construction industry is performing rather well. January and February 2014 saw the completion of 8.7 million square metres of housing: one third more than last year. The consumer market is showing a positive trend, up by 3.2% since the start of the year. Many industries, including in the manufacturing sector, are seeing high levels of investment. For example, in 2013, investment in vehicle manufacturing increased by 26.6%; in industrial and equipment engineering by 21.6%; and in electrical engineering by 17.2%.

It is also telling that Russia took in nearly USD 64 billion in direct investment in 2013, or USD 80 billion, if you count the Rosneft–TNK-BP deal. These are the highest figures we have seen in the last five years. Foreign experts put Russia in third place in terms of foreign direct investment. I must single out the Russian Direct Investment Fund for its role in building strategic alliances with foreign investors. I also want to highlight the Russian export industry for its increased volumes and streamlined framework. Last year, for example, exports of Russian equipment to the European Union increased by more than 20%. In the grand scheme of things these are still modest results, but they indicate a positive trend. At the same time, Russia's economic growth has slowed. This is the result of both external and, let us be frank, internal factors, such as systemic imbalances that pervade the economy and ineffective, one-sided development. This

slowdown, the fact that Russia's growth rates lag behind the global average, is a serious challenge that we naturally must address. We have developed a strategy for dealing with it, and are already implementing some measures. Later today, I will discuss a number of additional solutions.

The impetus behind our actions is to qualitatively alter our economy. What does this mean? We must radically and quickly change the structure of our exports. Our goal is to increase Russia's non-energy exports by at least 6% a year. To do this, we must expand the range of tools available to support our non-commodity companies on the global market. At the same time, we will be implementing an active import substitution policy which complies with WTO regulations and our obligations to our future Eurasian Economic Union partners. Of course, our import substitution policy will only be implemented where it promises to be effective, where we can and must gain a competitive edge.

Our next focus is to stimulate investment, primarily that which will help to modernize and upgrade our industry. We plan to pay particular attention to training a modern workforce and improving the quality of our labour market. By 2020, at least one third of trained specialists employed in our market must be highly qualified.

Russia's business community has helped to establish the Presidential National Council for Professional Qualifications. Over the next two years, this council plans to adopt more than 800 new professional standards that meet the needs of a modern economy, with 400 of these standards slated to be introduced this year. This is a major undertaking. Once again, I would like to ask our colleagues from the business community to keep up the pace. These standards will serve as the basis for cutting-edge professional education programmes and specialized qualification requirements. State organizations and companies controlled by the state will be required to comply with these professional standards. The government has drafted the relevant amendments to the Labour Code. They will be submitted to the State Duma for approval by June 1, 2014.

In the coming days, we will be discussing with members of the Russian Government the vital need to increase mobility in the labour market and create opportunities for people to go where the work is. This will include housing rental programmes. This is a crucial issue. Until we solve it, we cannot expect to see a quick rise in the number of modern production facilities within new industrial areas and promising regions.

Now, let us take a closer look at measures to improve the business climate and stimulate investment. We have already seen significant progress in the area of corporate property registration. Customs and taxation procedures have been streamlined. The government has issued an exhaustive list of construction licensing documentation. The number of required steps has been reduced significantly, although we are still facing plenty of problems in this area. Those of you who work in construction will know what I mean. Still, we have seen some progress.

Our National Business Initiative roadmaps include a total of approximately 160 bills designed to improve Russia's business climate. We originally expected to have them adopted by 2018. Then we adjusted our timetable and set ourselves the challenge of completing this process by the end of 2015. However, I believe even this significantly faster pace still falls short in the current environment. Investors should not have to wait. They need to see an ideal work environment today, not some time in the future. And of course, in order to address the need to increase our growth rates, I believe we must submit the entire package of legislation to the State Duma by the end of this year, and we must ask our members of parliament to consider these bills as quickly as possible.

Improving our business climate depends heavily on our regions and municipalities: this is where investors bring their competitive projects. The introduction of regional standards for creating a favourable business environment has already enabled us to improve our enforcement practices, offer new incentives to regional governments, and help them focus on building a dialogue

with the business community. We are now taking a further step forward and implementing a national investment climate rating to measure the performance of Russia's regions. This is, in effect, a tool for evaluating the success of the National Business Initiative and regional standards in each part of the country, based on the opinions of business leaders working in these regions. But the national rating is more than just a grading system: it must become an effective tool for implementing systemic changes at both the federal and the regional level, and must help to disseminate best management practices.

You probably already know that just a few hours ago, we learned the results of the first pilot rating that evaluated 21 Russian regions. I would like to congratulate our top performers: Kaluga, Ulyanovsk, and Kostroma Regions, the Republic of Tatarstan, and Krasnoyarsk Territory. Starting next year, the rating will evaluate all of Russia's regions in order to give a full picture of the business climate across the country. At the same time, I believe we must develop measures to improve the investment climate in our regions. I have asked the government to put together some proposals in this regard.

Our leading regions have proven that by working with investors effectively and by supporting industrial and high-tech projects, we can not only ensure high growth rates, but also substantially upgrade our manufacturing base and increase labour efficiency and productivity. In addition, we have drastically modernized our car manufacturing, food, and metallurgy industries, for example. We are currently investing heavily in retrofitting our defence industry, which produces a wide range of consumer products in addition to military equipment. We understand that individual projects, no matter how large, are not enough to achieve consistently high growth rates. Russia needs a full-scale technological revolution, a serious technological upgrade. We must undertake the most wide-ranging technical overhaul of our industry that we have seen in the last fifty years.

What will this involve? First of all, we must expand access to affordable investment resources. This is easier said than done; still, this is one of our main

goals. To do this, we will be actively implementing project financing tools, primarily for industry. These tools will involve access to long-term resources, as well as flexible credit conditions that will not weigh down investors, and where the final cost will not exceed the rate of inflation plus 1%. The government and the Central Bank are aware of this need, and have been tasked with developing the appropriate measures. They are expected to submit their proposals very soon. All of the legislation required for these project financing programmes to work must be approved by the end of this year.

Secondly, we must create the conditions which will support the establishment of new companies, for entrepreneurs who build their businesses from the ground up using new platforms: so-called greenfield projects. These companies will be offered tax benefits based on the total volume of their capital investments. The maths here is clear and simple: the budget does not lose any money because the companies do not yet exist. But once they can stand on their feet, once they establish themselves, taxation revenue will go up, and new jobs will be created.

Thirdly, we will increase the capitalization of systemically important Russian financial organizations. One way to do this is to convert subordinated debt into preferred stock, thus allowing banks to expand their ability to provide loans to the economy, and lowering the cost of credit.

Fourthly, we will greatly simplify the investment project selection process and the process for providing state guarantees, and will shorten the time it takes to reach a decision on these matters.

Fifthly, I have already mentioned import substitution. I am confident that by modernizing industry, building new companies, and localizing Russia's competitive manufacturing capacity, we can significantly reduce imports in many areas and give the market back to our national producers – without, I must stress, violating international trade regulations or introducing restrictions and barriers. These areas include software, radioelectronic equipment, power equipment, textiles, and, of course, the food industry.

I believe we must quickly analyse our capacity for competitive industrial and agricultural import substitution and determine by as early as this autumn which state and municipal procurement needs will be met exclusively or primarily from Russian producers or from companies located in Customs Union member countries. Of course when I say 'Russian producers', I also mean companies partly or wholly owned by foreign shareholders but operating in our country and subject to Russian law.

To this end, we will design a full package of measures to support competitive Russian manufacturers, including a fund specifically focused on Russian industry.

Sixthly, we will develop mechanisms to support companies that use the best environmentally friendly and safe technologies available. I believe we must localize manufacturing within Russia of the most cutting-edge equipment available on the market. I have asked the government to come up with proposals as soon as possible.

Seventhly: we must phase out the use of outdated equipment and so-called 'dirty' technologies by making them economically unviable and unprofitable. In 2015, we will reassess all production assets, and in 2015–2016, we will carry out a special evaluation of manufacturing, transport, and communications jobs. We must do this in order to identify companies using archaic equipment that is past its sell-by date, so to speak; companies with hazardous and unsafe working conditions; and companies that threaten the environment and are environmentally unsound. These outdated assets will be taxed at higher rates. This is a tricky and unpopular, but unavoidable measure. I have asked the government to draft fiscal measures designed to incentivize the modernization of production facilities by the end of this year. At the same time, we will accelerate the introduction of up-to-date environmental standards that will serve as direct measures by offering incentives for companies to switch to the latest environmentally friendly technologies.

Eighthly: all measures focused on the technological overhaul of the economy must be fully financed. I have asked the government to earmark the necessary resources in the 2015 and 2016–2017 federal budget proposals. We have to tackle this early, starting today. By this I mean that work on the budget is already under way.

Next, infrastructure remains an extremely high priority, with plans to remove the infrastructure limitations faced by regions and entire industries. You will remember that during the last Forum, we announced a key decision to invest part of the National Wealth Fund in infrastructure projects alongside private investment and resources. This summer, we will begin construction on the Baikal-Amur Mainline and the Trans-Siberian Railway, as well as the first section of the Central Ring Road in Moscow Region and New Moscow. Both projects were subjected to public technological and financial audits, some involving leading international experts. This will also require substantial investment and a huge amount of construction. The current volume of mineral resources transported by rail from the major deposits in the Russian Far East is approximately 58 million tonnes per year. Experts estimate that expanded capacities of the Baikal-Amur Mainline and the Trans-Siberian Railway after their reconstruction and modernization will allow us to more or less double this number. Approximately USD 16.5 billion will be allocated to this project.

The first section of the new ring road – the Central Ring Road around Moscow that I mentioned earlier – will be approximately 50 kilometres long. The total length of the Central Ring Road will be approximately 340 kilometres. The cost of the project is almost ten billion: USD 9 billion in fact.

We plan to significantly expand our work in the energy sector and in the development of railway, road, and telecommunications infrastructure. We have set the goal to double the volume of construction and reconstruction of federal and regional roads over the coming years. I will remind the government once again of the need to meet these goals, especially by actively building

partnerships between the state and the private sector and using other tools to encourage private investment in infrastructure.

Colleagues, our country has repeatedly proven that it can handle large-scale projects. These successes have always inspired national pride and have redoubled our constructive energy and creative potential. Today, we are united in a common desire to build a dynamic, thriving, prosperous country respected around the world and open to equal and constructive dialogue. The Russia of our dreams is taking root before our very eyes – and yours. I am confident that the energy of our people and their unity in striving for common goals will help us to meet these challenges. We will absolutely accomplish what we have set out to accomplish. Ours is a nation of strong, talented people, capable of unprecedented achievements. We know how to value partnership and sincere friendship. We are open to cooperation and ready to continue our work together. Thank you very much for listening.

G. Cutmore:

Mr. President, thank you very much for your address; I think there was a lot in there that we can come back to on the economy.

But I think that it would be useful at this point for me to ask you a few questions about Ukraine. Obviously, Ukraine is going into presidential elections this weekend. An awful lot has been written, and an awful lot has been said, about your position on Ukraine, but, let us be honest, most of it not by you. A lot of those who have written have said you are nostalgic for a Russia of the past. President Obama said you are on the wrong side of history. Those who have written and spoken widely talk about you rebuilding the past, and wanting to create a buffer state between NATO and the EU, and yourself.

Can I ask you what has motivated your actions through this crisis?

V. Putin:

I was more inclined to discuss economic issues, but we can talk about this situation if you want.

I will give you a brief overview of the genesis of these events. Ukraine was set to sign an association agreement with the EU. We used perfectly acceptable diplomatic means to show that the proposed document was, at the very least, at odds with Russia's interests: I mean close economic cooperation with Ukraine. We have 245 Ukrainian companies working with us in the defence industry alone. Imagine if we stopped buying their products tomorrow. What would happen to these companies? Most of them would grind to a standstill. Who else would buy Mi-8 helicopter engines? No one in the West uses them. Who else would buy ship engines? No one in the West uses those either – and besides, we all know that this market is virtually impossible to crack. There are many other factors, too.

We produced figures to show that this document would cause great harm. I would like you to hear me out: we proposed a perfectly civilized discussion in order to resolve these issues. And what did we get in response? We were told that it was none of our business. I am sorry, I do not want to insult anyone, but I have not seen such snobbery in a long time. They simply did not want to talk to us: "Stay out of it", we were told. All right. We invited our Ukrainian partners to consider the effect this would have on them. President Yanukovich decided to postpone the signing of the agreement and conduct further talks. And what happened next? A coup. Whether or not you want to call it a revolution, it was a coup, with the use of force and armed men. Who is on whose side now? What kind of past or future tools are being used, and by whom?

We must treat the state institutions and constitutions of newly emerging countries with the utmost care, because the alternative is chaos. That is exactly what we are seeing in Ukraine: civil war and chaos have already begun. What was the point of all this if Yanukovich was willing to do a deal anyway? They should have held an election, and power would have ended up in the same hands, but by

legal means. Like idiots, we would have kept paying the USD 15 billion we promised, we would have kept gas prices low, and we would have continued to subsidize the economy.

We are all adults here, are we not? Smart, educated people. Let us be frank: the West backed an unconstitutional government coup. They did back it, did they not? And not just with those much talked about pies filled with dollars, but with information, political, and all sorts of other support. Why?

And you think that this was our fault? We proposed a dialogue, and we were rejected. What now? The last time I visited Brussels, we agreed to continue this dialogue. This was before the coup. Mr. Ulyukhaev, who is sitting right across from me – a highly respected man, who speaks good English, possesses an excellent mind when it comes to markets, and is one of our best economic experts – went to hold consultations. Ask him about it after the session. I am not going to talk about this right now, but there were no consultations, only empty slogans. Again, nothing productive.

What now? We saw what happened: they arranged a coup and refused to talk to us. What were we supposed to think? The next step would be for Ukraine to join NATO. No one asks us about these things, and as the experience of the last two decades has shown, there is no intention to have a dialogue. They simply tell us, “It’s none of your business, stay out of it.” We say, “The military infrastructure is getting too close to our borders.” Their answer is, “Don’t worry, it’s not aimed at you.” So, tomorrow Ukraine may join NATO, and the day after the US will begin placing its anti-missile installations on its territory. No one ever discusses this with us either: they simply say, “It’s nothing to do with you, it’s none of your business.” You see, we are really tired of this type of discussion now. This is no way to have a dialogue. As you can imagine, we are worried about economic issues and about our security. What can we do?

People in south-eastern Ukraine, including Crimea, felt threatened by this chain of events. Crimean residents decided to hold a referendum about the possibility

of joining Russia. What did we do? We simply helped people voice their free will. I think the majority of people in this room will agree with me, and so will people around the world: they are no fools, they can see what is happening. If we had not done that in Crimea, things would have been worse than they are in Odessa, where people are being burned alive. And no one is rushing to offer any real explanations. It is still not clear who was responsible. I am talking about the Odessa tragedy. And now you tell me: who is trying to rebuild the past, and who is operating in the real world of today?

G. Cutmore:

President Putin, I think we have all been astonished at how quickly relations between apparent former friends have broken down as this crisis has escalated. There is an opportunity here for statesmanship. There is an opportunity for you to step up and say something. Is there something you can do at this stage or at this point to encourage pro-Russian groups in Ukraine now? To reduce the level of tension and the violence, to allow the democratic process to go ahead on Sunday, and perhaps to come back to a settlement or a resolution that would be acceptable to you?

V. Putin:

I am deeply convinced that all clashes – we have said this many times, and we will continue to say it – eventually end at the negotiating table, and the sooner that happens, the better. We have always believed this, and we believe it today. That is why we have been encouraging the opposing sides to establish direct communication. The first connections have already been made, some with our immediate involvement. Unfortunately, the situation is compounded by the fact that the government in Kiev is continuing its retaliatory action in the south-east. The fighting has not stopped. Look, they are already using artillery, armoured vehicles, tanks; rockets are falling on residential houses, unarmed civilians are

being killed. But of course we really expect that the direct lines of communications that have been established will lead to positive results. I really expect this will be the case. But, of course, such a result will only be achieved if there is an end to the violence, regardless of who is perpetrating it.

G. Cutmore:

You have said this is a room of adults, so let us have an adult conversation. President Obama has accused you, as you know, of untruths when it comes to supporting some of the separatist groups in Ukraine.

V. Putin:

Who is he to judge anyone? Is he a judge? Then he should get a job in the judicial system.

I think you misstated the question. I do not believe that Barack is accusing me of anything. He has his point of view on certain developments, and I have mine. Which aspect of his position do you mean exactly?

G. Cutmore:

President Putin, you appear to now accept that the election will take place on Sunday – at least this is what I read. But as I said to you at the beginning, I read an awful lot about what you think, but I do not necessarily hear it from you directly. Can I ask you just to put it on the record for our audience here? Do you accept the legitimacy of the election that is going to take place on Sunday in Ukraine?

V. Putin:

Well, you are pushy! You are a difficult man. Where did you find this guy? We see and we understand that Ukrainians want their country to finally climb out of

this prolonged crisis. We will, without a doubt, respect the will of Ukrainian people. Of course, we will see what happens.

You know, it would have made a lot more sense to do what President Yanukovich and the opposition agreed to do on February 21. What did they agree to do? To hold a referendum, adopt a new constitution, and based on this constitution, form a government and an administration, and conduct parliamentary and presidential elections. Now, Ukraine will be electing a President. I am not sure you if know this, but this presidential election is, strictly speaking, unconstitutional, since President Yanukovich has not been constitutionally removed from power. The current constitution allows for only four scenarios: death – and I would suspect that they wanted to eliminate him; second – incapacitating illness; third – impeachment (which has not been carried out in accordance with the constitution); and fourth – resignation, which the President has to submit to parliament in person. None of these scenarios occurred. So, strictly speaking, he is still the current president, according to the constitution.

Why create new problems for yourself that will later cast doubt on the legitimacy of future elections? Would it not be easier to conduct a referendum; guarantee the rights of people in eastern and southern Ukraine; explain to them how these rights will be protected; enshrine all this in a constitution; hold elections, and be confident that you have obtained a national mandate to govern the country? But those who currently hold power in Kiev chose a different path. I want to stress: we also want some kind of settlement, and we will respect the will of the Ukrainian people.

G. Cutmore:

I am told that the front runner in the voting at the moment is Mr. Poroshenko. He has told CNBC that he would happily engage with Russia if elected. Is he a man

you could do business with, despite his desire for stronger ties with Western Europe?

V. Putin:

Where is the money? We want our money back.

Let us look at the specific numbers: they owe us USD 3.5 billion. To create favourable conditions, they should begin by returning our money.

G. Cutmore:

I hope you will forgive me, Mr. President, if I have one more go on this before I move on. I am not quite clear whether I heard you say that you will accept and work with the outcome of the election.

V. Putin:

In all seriousness, without any hint of sarcasm, I have already said that ultimately, we want to see peace and order restored in Ukraine, to see the conditions for ending the crisis in the country established. We are invested in seeing our western neighbour, our sister country of Ukraine, rebuild peace, order, and calm. I am not being in any way sarcastic here. Today, we are still working with those in power; and after the election, we will, of course, work with the newly elected administration.

To be clear, I hope that when the elections are held, all military action will be suspended so that dialogue can begin. Can you imagine us meeting, negotiating, having peaceful talks while civilians are being bombarded by tanks? There must be something they can do to rectify this situation. They have been detaining journalists. They detained our journalists, and have been holding them in their 'Gestapo dungeons' for three days now. We have no idea what is happening: we have no access to them. These are no conditions in which to hold an election.

We know that this violates modern standards. But whatever, let them do it this way.

G. Cutmore:

Mr. President, can I move you on to the international reaction? I think in 2009 we were all very excited to see the reset in relations with the United States. Today that reset lies in tatters. What went wrong?

V. Putin:

You know, this was the result of unilateral actions. Some US allies operate according to the rule that “either you are with us, or against us”. We could act first, then adjust our rhetoric to fit this action and form a coalition. But Russia does not operate this way. We prefer to come to an agreement first, to work within international law, and to take each other’s interests into account. In these conditions, Russia has always been, and will always be, a reliable partner.

G. Cutmore:

Given the level of hostility that seems, at least, to be played out in the international media, is there a road back in the relationship with President Obama and the current administration?

V. Putin:

First of all, we did not ruin our relationship. Secondly, despite the sharp rhetoric and different, sometimes diametrically opposed approaches to critical situations, we continue to work together.

Our American partners have announced that they will not cooperate with us on the military front. Great! In what areas were we cooperating? We were conducting joint patrols to combat piracy. We are willing to continue this work. Are our services no longer needed? Of course they are. The Americans have an

interest in military transit to Afghanistan. They say they will be suspending military cooperation, but they have no intention of suspending military transit across our territory to and from Afghanistan, because they are invested in it.

And incidentally, we have not refused them. We are working together to address the Iranian nuclear programme. The President of Iran and I recently met in Beijing during a major international event. We discussed opportunities for future cooperation, including projects involving Iran, which would take into account America's position on the Iranian nuclear issue. The Syria situation remains critical, and has yet to be settled. Although we have different viewpoints, we hope to find some common ground on this issue as well. Our joint anti-terrorism agenda remains on the table. We continue to work together in this area too. There are therefore plenty of issues on which the United States and Russia are interested in working together.

We have no intention of isolating ourselves. But you cannot force love, as we Russians say. We still hope that common sense and a recognition of their own national interests will inspire all our partners, both in Europe and in the United States, to continue to work with the Russian Federation.

G. Cutmore:

If I could ask just one more question on the situation with Washington. Did President Obama misunderstand the depth of feeling in Russia about Ukraine and the situation there, or was the relationship already breaking down over things like the Snowden affair?

V. Putin:

As far as Mr. Snowden is concerned, I have said this many times: we have no direct involvement in this matter. I believe he ended up in Russia as a result of unprofessional behaviour by the Americans themselves, who were trying to detain him. I also used to work in intelligence. Why did they have to scare the

entire world? If they could ground planes with presidents on board, they could have easily grounded a plane carrying Mr. Snowden anywhere. They scared countries around the world. He arrived in our transit area, only to learn that no country would take him. You can see the problem with this. If the American intelligence services had not gone around scaring everyone, he would have simply flown to another country; they would have grounded him somewhere along the way, and he would be sitting in jail by now. But they scared everyone, and he got stuck in our transit area. What could we do? Russia does not betray those who fight for human rights.

<Applause.>

Thank you for that warm reception. But really, this is true; I am not being sarcastic. Mr. Snowden believes he is fighting for human rights. He has built his life on this. He is a young man: what is he going to do now? I am not joking, I am not being sarcastic. He is stuck with us for now. Then what? You see, he has made his bed. All we did was give him asylum. He is not our agent; he did not give us any secret information. Although he could have: after all, we did offer him asylum. But he has told us nothing. He reveals secrets using channels known only to him, whenever he deems it necessary to publish something. That is all there is to it.

As far as Ukraine is concerned, you know what the problem is? This is a vitally important issue for us, while in America these decisions are being made on a purely technical level. I have been working on this personally. And many of you here today, important people, have been dealing with this personally, since this is a vitally important issue for us. This is probably not the case for America.

But we need to develop a common style in order to foster direct dialogue on the basis of trust, taking into account each other's interests. I am choosing my words carefully here. You all know; experts who analyse international relations know; and the press used to talk about this every day: we were constantly voicing our concern over NATO's expansion eastwards, but no one would listen. They say

every nation has the right to choose how it will ensure its security. Of course this is every nation's right. But then why are we not allowed to exercise our right to react to various developments from the perspective of our security?

There are many ways to ensure security. The United States, for example, could have simply signed a friendship and cooperation agreement, including on military issues. What is the real difference between signing this type of agreement and joining NATO? None, really. You could make countries that join the alliance contribute funds to the joint military budget, but they do not contribute anyway. Did you know that other member countries spend considerably less than the United States? The US keeps applying pressure, but it never quite works.

It is the same with the missile defence programme: we are told, "This is not about you." President Medvedev, who did so much to build relations with the United States, said, "At least give us a piece of paper, a simple legal piece of paper stating that this is not about us. Give us these assurances in writing." No, they absolutely refused. So what kind of dialogue is this? These are just empty words. If we can find the strength to communicate openly, honestly, and with an eye towards each other's legitimate interests, of course the quality of our relations will improve. I am an optimist; I have not lost confidence that the situation in Ukraine will somehow calm down, and we will find the strength to normalize our relations.

G. Cutmore:

Mr. President, I would like to move on to the economy, and I would like to talk a bit about the business conditions in Russia and how some of the sanctions that have been imposed from the West may be having an impact.

I am pleased that we have with us a panel of international business people who work very closely with Russian companies and have their own investments here. So, I would like to involve them, and I would also like them to feel comfortable asking questions of you. Perhaps you can offer some guidance to them as to how they work here in Russia.

Last year, Angela Merkel sat on this stage with you. She appeared to be a bulwark against sanctions driven mainly from Washington, and yet the sanctions were ultimately imposed.

Today, many companies are wondering how they are going to get funding, and what implications this has for the extension of credit from foreign banks.

Can I just ask you very briefly to give us your thoughts on what the immediate impact on the economy has been so far from the sanctions that have taken place?

V. Putin:

You know, I have already explained my position on the situation in Ukraine. I believe our European and American partners are, to a large degree, responsible for what happened there. They backed the coup and plunged the country into chaos, and now they are trying to shirk their responsibility and expect us to clean up their mess. That is the goal of these sanctions. But so far, all these sanctions have achieved is to select people from my immediate circles, people close to me, my friends, and, as our intellectuals like to say, well and truly blot them out: to punish them for who knows what. If I were in their shoes, I would have taken these countries to court a long time ago, since they have nothing to do with the situation in Ukraine and Crimea. And sure enough, they picked two Jews and a Ukrainian. You see? They are laughing at us.

Yes, these are my friends. I am proud to call such people my friends. They are very patriotic people, with companies which are focused on our country. Have they been affected by these sanctions? Yes, they have. I must be frank: yes, they have. But they are also entrepreneurs with considerable experience: before the sanctions were imposed, they transferred all their money to Russia, so there is no need to worry about them too much. But overall, their businesses did suffer to some extent.

I believe this is unfair, and most importantly, illegal. After all, only the UN Security Council can impose sanctions on a country. But the UN Security Council issued no such resolution. In this regard, these sanctions are absolutely illegal, and of course they hurt our international relations. We have been told about another set of sanctions, I think it is the third. My question is, what is the reason for these sanctions? I understand that there was something our partners did not like at a certain stage of this crisis, including some actions in Crimea. Sanctions were adopted. Now, they are trying to blame us for other things, saying, "Here is a second set of sanctions; here is a third." I am not entirely sure why they have been imposed. Thailand was recently hit by an earthquake which resulted in human casualties: maybe that was also our fault? Ukraine is sinking into a civil war. What does that have to do with us?

It is a futile endeavour, so to speak. Of course, it has destabilized our economic ties with the United States and Europe. But we do USD 27.8 billion of trade with the United States, and USD 440 billion with Europe. The difference, as you can see, is massive. I even suspect that by insisting on imposing sanctions on Russia, our American friends, who are a clever bunch, are trying to get a competitive edge in their trade and economic relations with Europe. I cannot see or discern any other serious, deep motives behind their actions. But I believe common sense will prevail, and there will be no damage done to our trade and economic relations. For our part, we continue to fulfil all our agreements.

What is the real damage here, and does it exist or not? It does exist. What are the effects on the economy as a whole? Let us acknowledge that our companies have less access to resources and have to deal with certain other systemic issues. But our economy is yet to be negatively impacted in a serious, systemic way, and I hope that it will not be.

G. Cutmore:

If I could ask our panellists to join us in this conversation, Mr. Al Mubarak, maybe I can start with your perspective. You effectively run an investment business. What are the challenges now, coming to the Russian market – not only because of some of the near-term issues related to sanctions, but maybe some of the longer-term structural challenges as well?

K. K. Al Mubarak:

First of all, I would like to thank President Putin for his kind invitation: it is a pleasure to be here. Thank you for organizing this forum; it is really wonderful to be in St. Petersburg in May.

Russia is a very important market, and for us, it is a very promising market. We look at markets around the world; we look at areas and countries where we can invest sustainably for the long run.

Today, we have a focus on Russia. Why? Because we believe in the fundamentals here. We have a great partnership that we have established here in Russia through the RDIF. In any country, any market we enter, we like to find partners that match our skillset, that match our view in terms of how to operate, how to run businesses, and how to invest, and we found that in the RDIF. We found an institution that has good governance, a good management team, a supervisory board and an advisory board that runs very well, and a high level of professionalism.

We found a set of partners from around the world, from China to Korea, to Japan, Europe, and the Middle East, that also share with us the same set of values. There is integrity in the way this business is run. There is a belief in the opportunities in Russia, and, more importantly, we invest together dollar for dollar, and that is a very important thing for an institution such as ourselves.

We look at investments from a risk-adjusted perspective; we have a premise in terms of having downside protection in terms of any investment we look at. These are all very attractive fundamentals for us, and accordingly, Russia, and

our partnership with the RDIF, presents an attractive proposition to an organization like Mubadala.

G. Cutmore:

Mr. Khemka, can I bring you into this conversation? SUN Group has been in Russia for how long, since 1958? It is a 112-year-old family business. You have assets in Russia at this moment. But we have seen a tightening in liquidity, partly as a result of sanctions, but partly also, I think, as a longer-term structural issue of funding through the banking system here. To what extent is that hindering your ability to expand your operations, or, indeed, perhaps to sell assets that at this point in time do not fit your business mix?

S. V. Khemka:

Thank you. I would also like to thank President Putin for having me here, and it is wonderful to be in St. Petersburg. I am proud to say I was here for the first Forum, 18 years ago, and it really is a wonderful thing to see how it has grown and developed into a major global platform for discussion about a global agenda. In terms of our own business, we have been here since 1958. I moved to Russia to live here in 1990: my father sent me here. I spent 22 years here, I have many friends here, and I am very pleased; I feel partly Russian. And we have a business here; we have done various things over the years in various sectors. We have a mining business at the moment, a gold-mining business in Chita, in Chita Region, and unfortunately, the current tightening in the global markets means that any financing that was going to come in from the West or from global investment sources has taken a much more cautious approach, not because of sanctions, but because, I think, of the threat of sanctions. And so there is a certain nervousness for people to enter this market.

However, I think there are institutions in Russia: Sberbank, VTB, VEB – great institutions that have been created in the last 15 years or so, and we believe that

we will find solutions within the domestic context to continue with our financing and to continue to build the business.

G. Cutmore:

Thank you. Mr. Baksaas, Telenor is effectively invested in a telecom partnership here. You have been, again, in Russia for many years. The company has substantial experience in this marketplace.

But again, I have to raise the question with you: if you were to put money today into Russia, as a foreign businessman, to what extent would the threat of sanctions be a deterrent, or is it something else about the flow of capital out of the economy at the moment that would deter you? Or would, indeed, you feel happy to rush in?

J. F. Baksaas:

Also from me, thank you for the opportunity and for the frank speech from Mr. Putin on this occasion. And there have been other occasions as well, when there have been issues to address.

But Telenor has a long-standing relationship with Russia, and we are neighbours geographically, so it came naturally when things started to happen here in the beginning of the 1990s. We made our first investment here in 1992, and today we hold roughly a third, a little bit more, in VimpelCom. And there has been tremendous development in the economy over those 20-plus years. There is no doubt about that.

But how do we move from here? And, of course, without this experience right now, would we have done the same under these conditions? Maybe, because we are neighbours, but also maybe not, because of the underlying issues which were so well described by my colleague.

I think it is a more difficult situation for newcomers. We are here, and we have been here for many years; we are naturally taking a business interest in how we move from here.

And my question to both the government and President Putin would be about elements which he referred to in his speech; namely, how to put the economy back in growth. How can technology be used for that purpose? The digital economy is coming up at great speed. There are plenty of issues with that, but there are also plenty of potentials, both for economic reforms, and to put greater productivity into the economy. And aspects of that would of course be important to listen to.

But we also have to be frank and understand that the situation in Ukraine does need a negotiated, dialogic solution, and I hope that a platform will be established as soon as possible, and that we can move forward in that direction and be optimistic in that direction.

G. Cutmore:

Thank you very much for your comments. Mr. President, I will come back to you on this, if I might, because I would just like to get Mr. Kron to talk a little bit about the infrastructure side of what is going on. You referenced it many times in your presentation to us. Mr. Kron, of course, is from Alstom, a major engineering business in power and transport.

P. Kron:

Thank you, Mr. President, and thank you for the invitation, both to the panel and to participate in this great Forum. I am a regular participant, and year after year, I find it extremely fruitful.

Yes, our company is involved in infrastructure: power generation and transmission and rail transportation, and we are active in Russia through localization, plants, and through partnerships with great partners.

I will come back to what has just been said. For me, there is a key element, obviously, which is economic growth. Currently, we are seeing – and this is not specific to Russia – a slowdown in economic growth. And usually in this context, unfortunately, investments are cut, or are not made.

In your speech, you mentioned a number of large projects, and I would like to get your views on what the policy will be on infrastructure in general. This is a heavy industry, and for economic actors to move, you need strong signals and some visibility. So I would be happy to hear what the policy in preparing for the future will be, in spite of the constraints on budgets and spending.

G. Cutmore:

So, if I could wrap those two questions together, Mr. President, and ask you to comment.

V. Putin:

I have already outlined the planned measures. I do not want to repeat myself. Instead, I want to say that we are facing several challenges, two of them very serious: how to ensure economic growth rates, and how to change the structure of our economy. We are constantly talking about both of these issues. Experts recognize – and we have stated this many times too – that we cannot maintain the necessary economic growth rates by increasing carbon-based fuel extraction alone, even if we were to do that. People are not buying it. Gazprom produced 460 billion cubic metres of gas, and it could produce 660 billion. But this alone will not increase our growth rates. We cannot keep doing what we did in the early 2000s: we cannot keep increasing production. Oil prices have reached a certain ceiling at around USD 108–109 a barrel, and have stabilized at that level. But we cannot increase growth rates by driving up sales. We are perfectly aware that we need structural changes.

All of the things I have talked about today, all of the eight or nine points I listed, are focused on bringing about these structural changes. I do not think I need to repeat myself, but we can return to this. In order to stay ahead of these problems, we have established a very good dialogue with our business community. We do not just meet for tea. Both the previous and current governments have developed tools for continuous communication, which enables the business community to play a direct role in decision-making at the legislative and regulatory levels.

The National Business Initiative, which I mentioned earlier, is in essence a set of measures to dismantle the economy's bureaucratic structure, to make more effective and reasoned economic decisions, and to train staff. This is another area in which we are cooperating with the business community. Our business organizations are currently drafting a proposal dealing with the issue of qualifications. I have already talked about this. There will be an entire set of measures focused on this. I hope that, with your help, we can implement these measures.

G. Cutmore:

Thank you very much for your answer. Of course, we all know that you have just come back from a trip to Shanghai, and while you were there, you signed a significant gas contract with the Chinese Government.

At this point, I would like to invite onto the stage Mr. Li Yuanchao, the Vice-President of the People's Republic of China. He is to come and address us. Sir, if I could ask you, please, to come up on stage.

This is, of course, a significant deal that runs over 30 years and is the result of a decade in negotiations.

Sir, thank you very much.

L. Yuanchao:

Guests of the Forum, ladies and gentlemen, I am delighted to be here to take part in the 18th St. Petersburg International Economic Forum at the request of President of the People's Republic of China Xi Jinping. On behalf of the government of China, I offer my sincere congratulations on the success of the Forum.

China highly values the St. Petersburg International Economic Forum, which has established itself as an important platform for the international elite to discuss global economic issues. The Forum's key role is obviously to strengthen mutual understanding and promote joint development. President Putin has just delivered an excellent speech that clearly addressed the relevant questions. We were very impressed by it. China highly values the work of the Forum. The modern economy is undergoing a deep transformation. Nobody expects a quick and easy global economic recovery. In this regard, the subject of this Forum, 'Sustaining Confidence in a World Undergoing Transformation', is very significant and extremely topical. I am happy to use this prominent platform to share a few thoughts with you about how we can cooperate to meet the challenges related to this transformation, and how we can grow together.

The first task is to forge trust in the spirit of openness, and to promote openness in the spirit of confidence. In the context of intensive economic globalization, openness is a path to prosperity and development. Confidence, for its part, serves as an important condition for open cooperation. The dynamic growth of 13 national economies that began after World War II and lasted 20 years can be explained first and foremost by their common decision to pursue openness.

Experience shows that protectionism is the largest hurdle on the path to global recovery. President Xi Jinping's initiative to spearhead joint international efforts to protect and promote an open global economy is in step with the times. It is time for us all to deal openly with each other based on our common interests. We must join together to fight protectionism, expand economic cooperation, and

create a single global market and a free, open, and fair international economic environment.

The second task is to use reform to foster innovation, and to use innovation to implement reform. China's experience of reform over the last 30 years shows that reform is the engine of innovation, because it pushes people to be bold and creative. Modern innovation, be it new ideas, approaches, fields of science, technologies, or institutions, serves as an additional impetus to reform and places new demands on it. It is no accident that the latest global financial crisis has pushed many leading economies towards reform as an important tool for building economic recovery and prosperity, and towards technological innovation as a way for the economy to gain a competitive edge. Although the global economic situation has improved somewhat, the trend towards reform and innovation remains a topical issue for the global economy. It is time for us to implement a coordinated macroeconomic policy and to expand reform in every country, while simultaneously continuing to reform the management of the global economy in order to create a new, fair, rational, stable, and civilized economic structure that will balance the interests of all nations.

The third task is to forge mutually beneficial partnerships; to develop cooperation, to ensure that everybody wins. Every country in the world chooses partnership in the face of global challenges. Of course, partnerships are focused on providing benefits to both sides: that is the only way to have a lasting and stable partnership. Today, the global economy is so highly integrated that one country's successes or failures cannot but affect all others. We are obviously linked by our common interests. We must expand mutually beneficial partnerships designed for the long term. We must widen our common ground and range of shared interests. China's initiative to create the Silk Road Economic Belt and the Maritime Silk Road in the 21st century is designed to forge a deeper, more encompassing partnership at the highest level between the

countries that lie along these two routes, in the spirit of mutual benefit and common achievement.

The fourth task is to promote peace through development and ensure the peaceful nature of this development. This year will mark 100 years since the start of World War I and 75 years since the start of World War II. History shows that development lays the foundations for peace, and peace is, in turn, a guarantee of development. To promote peace is to promote development and national happiness. All countries of the world must consider development as their highest priority national goal. Economic development in every country of the world must be related to development in all other countries, and must be balanced, inclusive, and stable. We must come up with a new concept of security founded on mutual trust, mutual benefit, and equal cooperation. We must work together to create an environment that promotes development.

As President Putin rightly noted, economic cooperation between China and Russia is an important factor in consistent and stable global growth. A few days ago, President Putin and Chinese President Xi Jinping met in Shanghai and reached important agreements to comprehensively expand and deepen cooperation in the new environment. These agreements have taken full-scale strategic cooperation and partnership between China and Russia to a completely new level.

I believe both countries must reinforce this strategic and economic cooperation in the areas determined by our heads of state, and develop relations between China and Russia on the basis of principles of equality, trust, mutual support, bilateral prosperity, and eternal friendship. This would greatly benefit the cause of peace around the world.

Colleagues, China is one of the main factors in global economic growth and reform. As such, it intends to comprehensively expand reforms aimed at ensuring stable and healthy economic development. In 2013, China's economy grew by 7.7%, and the first quarter of this year saw growth of 7.4%. The overall situation

is stable, and it continues to improve. China's reforms and economic development create opportunities for the entire world. China is dedicated to a strategy of mutually beneficial and universally advantageous openness, flying the banner for peace, cooperation, and the common good. We will work with all countries to meet the challenges of transformation, and will strive for prosperity and global economic development. Thank you.

V. Putin:

I would like to add a few words to my colleague's speech. While serving as President and Prime Minister, I have signed a wide range of documents and often attended signing ceremonies. But I will be honest, I cannot remember another visit that saw the signing of so many documents of such significance. It is true, as our Chinese colleague pointed out, that even though the ties between Russia and China were already very close, these documents, the agreements that were reached during this visit, have pushed our relations with China to a qualitatively new level. We are absolutely grateful to our Chinese partners and to the President of China, Xi Jinping, for his personal contribution to resolving these issues.

G. Cutmore:

Mr. Kron, this again figures in your part of the world. It is an energy deal involving a great deal of infrastructure. China is an economy that also has, if the Vice-President will forgive me for saying so, some challenges at times with capital and allocating capital in the right places, and creating the right opportunities for international businesspeople to come and engage in operations.

Could you say a few words, perhaps, on how you see the relationship between Russia and China, and maybe some of the benefits for international businesspeople like yourself who work in this sector?

P. Kron:

Well, I try to exercise our modest talents downstream, not really in this field, but you mentioned China, and we are very active in China. We try to be active in Russia as well. Is it sometimes easy to do business? Actually, the conclusion is that the only countries where it is easy to do business are the countries that you are not in. It is difficult to do business everywhere: you have to adapt to the reality. We have strong challenges and strong competition.

I agree with what was said in terms of protectionism. I think open markets are a must for the way we do business. We look for open markets. At the same time, we look for fair treatment.

Mr. President mentioned that companies are welcome in the development of Russia's infrastructure, whether they are foreign equity-owned or whether they are domestic players. We are very happy to hear that, and we try to do that, both in Russia and in China. But I hope that in spite of the high level of commitment taken during this visit, there will still be some opportunities for us, Mr. President.

V. Putin:

I would also like to add a few words about our infrastructure plans and projects. The colleague on my right talked about developing infrastructure. I will give you some numbers. The numbers are pretty good: investments have reached USD 16.5 billion and USD 10 billion. Of course we will need to use our partners' technologies and experience. This is a promising market in which to operate and make use of your resources here.

As far as our joint projects with China – I mean, besides our gas trade – I have already given you the numbers. This will be the largest, most important construction project in the world. Gazprom alone will be investing USD 55 billion. It will include construction of a helium plant, chemical gas refineries, not to mention infrastructure. Of course with a project of this scale, our partners will undoubtedly find opportunities to profit by using their resources and capital.

G. Cutmore:

You talked a lot in your presentation about opportunity and engagement in Asia, and I just want to continue this theme a little bit more, as we run down the group. Gentlemen, very quickly, because we are very close to wrapping up, if I could start here and just get perhaps a few thoughts on India with the new government, the Asia opportunity as it comes to Europe, in essence, and things change there, and maybe just run down the group and get a few comments.

S. V. Khemka:

Thank you. First of all, I would like to say that China is a great country, but mostly it is a great civilization. I believe that China's growth is something that India very much admires, and I find that Russia and China and India have a destiny, a common destiny together in Asia.

However, I feel that, although we have a very strong political and strategic relationship between India and Russia, unfortunately, our trade relationship and our investment relationship do not match up to what they should. Just to give you an example, the relationship between India and China today is USD 80 billion of two-way trade; with Russia, it is less than USD 10 billion. That should not be the case.

We need a reset, and I think this is a great moment to do that. Mr. Modi, our new Prime Minister, first of all got a landslide mandate in India. I think 551 million people voted out of 800 million voters, and they asked for change: they asked for economic growth in our country.

We still have 600 million people that are functionally illiterate. We have huge issues with water, with housing, and a host of other issues. Every year, we add 20 million people to our country: every seven years, we create Russia in our country in terms of population.

We need help, we need support, and we need to integrate globally in that. And I think Russia can play a very, very important role in that connection.

How can we do that? I think we need to restructure and re-think our engagement, because evolution is not going to get us there. To go from USD 10 billion to USD 12 billion is not the solution. We need to find a way to go from USD 10 billion to USD 30 billion, and from USD 30 billion to USD 100 billion over the next 10 years.

The question is how do we do that, and I think that needs a reset.

G. Cutmore:

Thank you very much. Gentlemen, I apologize, but can I just get a few words from you very briefly? If I could start with you, Mr. Baksaas.

J. F. Baksaas:

You can get a short comment on India. I am not a specialist on India, but we do have USD 3 billion ploughed into telecoms in India as well, and that is more or less the size of our exposure to the Russian economy.

I think Mr. Modi's coming has created great expectations as to his ability to run through economic reforms, which are highly needed in the direction that was just mentioned.

The potential there is phenomenal under the right structures and the right means.

G. Cutmore:

Thank you very much indeed for keeping it brief. And Mr. Al Mubarak.

K. K. Al Mubarak:

The Silk Road, historically, has always been a route that kept us close to countries like China and India. Today, in terms of trade, the UAE has a very

strong relationship with both India and China. Of course, we would like to strengthen these ties from a trade perspective with Russia, too.

From an investment perspective, we have traditionally been conservative. We look at investment platforms in countries where we can see a growth story, but also a risk-adjusted return – I repeat that again.

We are trying hard in China. I think it will be an area of growth for us, an area with a lot of potential in the future. If you look at the next 20, 30, 40 years, especially for long-term investors like us, we have to be in China, we have to be in India, and we have to be in Russia.

India is a little bit more complicated, because the investment platform there, the investment environment there, is a bit more complicated, but we will keep trying, and hopefully with partners like Mr. Khemka over here, and others, we will be successful.

G. Cutmore:

Sir, thank you very much indeed for that.

So what I would like to do here, I think it is traditional for us to throw forward, be optimistic about the future, and talk about some of the larger themes. So if we can wrap up with that, Mr. President.

When I was in Moscow in April, speaking with Mr. Uljukaev in the front row here, I also met with some young entrepreneurs, some young Russian businesspeople, who have been very excited about the last two decades of engagement with the global economy.

And I have to say that they were a little down of heart, and they saw what they thought was some of the unwinding of that interconnectedness that has taken place over the last two decades.

I wonder if I can ask you: how does that damage get repaired, if it is indeed damage? How do we prevent the roll-back of what is perceived by the young businesspeople in this room to be the engagement that now is rather stunted?

V. Putin:

We must work together and build confidence. In fact, that is why we are gathered here today. The central message of our Forum is about building confidence, which can only happen as part of negotiations that take into account the legitimate interests of all parties. That is precisely what Russia intends to do. We hope all our partners intend to do the same.

G. Cutmore:

Of course, the young people inherit what we leave, and from the ones that I have talked to here, my sense is that they aspire to the safety of a just legal system, they want to have the freedom to criticize the government without retaliation, and if that means the use of social media, they also would like to use Facebook and Twitter and all these other things.

Do you share these goals and ambitions for the young people of Russia?

V. Putin:

I believe this is more than a high priority: this is a key priority. I know what you are implying: that we might somehow restrict Internet use. We have no restrictions on individual self-expression or on the use of modern technologies to promote personal or business development.

I would like to point out that we hear criticism of our decision to use certain legislative tools loud and clear. We already have solid experience of applying these laws. What do I mean by that? We have introduced restrictions which amount to a prohibition on promotion of paedophilia, child pornography, and information on suicide methods. Forgive me, but all other countries, from Europe to the United States, have similar legal frameworks. What is more, some of these restrictions are much stricter than ours: our legislation is quite liberal.

Also, if you will forgive me, what kind of society cannot protect the interests of its children? I believe that such a society is doomed to extinction. We cannot, and will not, go in that direction. But this does not mean we plan to introduce any fundamental restrictions on the exchange of information or something that goes beyond current global trends. We will definitely guarantee this. We are currently adopting resolutions: the government is drafting state-financed measures to, for example, bring high-speed Internet to every village in every remote corner of Russia. I must stress that our real, practical action is aimed at making full use of modern technology.

G. Cutmore:

You will forgive me for asking just one more question on how we steer a path through what has been a troubled period of time for the planet, because this is what our panel is ultimately about. We have seen many occasions where there have been difficulties with social networks getting closed down or banned. And they have become, like I suppose the telephone was for my generation, the way that people communicate today.

So, no ban on Facebook, no ban on Twitter, no ban on the Russian equivalents, regardless of what is on them?

V. Putin:

First of all, we have no intention of closing anything down. Secondly, we do not believe we have a right to criticize countries that do. Each individual situation has aspects unique to the particular nation. Who are we to judge who does what? But we have no plans to do the same. We plan to develop modern communication platforms. I hope we will never again see the day when the main form of communication is the AK-47.

G. Cutmore:

Mr President, can I ask you just to share with us your global view if you like. How you see the world as it stands currently? The trends, the opportunities, the challenges?

V. Putin:

Do you mean the communications technology industry? Our Minister of Communications will arrive soon and will give you a better professional overview than I ever could. The higher your position, the less you need to know.

Or do you mean certain bloggers who are now considered in the same category as the traditional media? Is that what you are implying? Speak plainly, instead of hinting at it. We are a simple, uncomplicated people. Just state clearly what you want to ask. This happens in European countries like the United Kingdom and Germany, as well as in the United States. This is nothing out of the ordinary. It was a simple gap in our legislation, and we are now closing that gap. These regulations are not at odds with global trends – they are part of them.

G. Cutmore:

I should rephrase my question: it really was not a question about technology at all. In fact, what I am asking, as we come to the close of this session, is just to give us a statesman's view of how you see the world developing from here.

You talked a lot in your speech about the tensions between the old world order and the new world order, the connection with Asia and other G20 economies, the challenge of what was a G8 now being a G7, and I do not know whether Russia will attend the next meeting coming up.

But there are so many big issues that I think it would be useful to get your worldview on, if you could share it with us.

V. Putin:

You are asking me to do a very difficult thing. This is a topic for another forum, for roundtable conferences, panels, and discussions. I would, however, like to express my hope that despite the difficult issues that spring up here and there from time to time, humanity will have enough common sense and experience from past decades, maybe even past centuries, including the tragedies of the last century. Our Chinese colleague mentioned the upcoming 75th anniversary of the start of World War II and the 100th anniversary of the start of World War I. I hope all this negative experience amassed by humanity will prompt us to consider that disputes are better solved through negotiations that take into account everyone's point of view.

G. Cutmore:

So let me wrap up here. Thank you once again for having us, for inviting us to be your guests. Could you just leave the business community with a message before we wrap things up?

V. Putin:

My message is very simple: think about the benefits and possible dividends from working in the Russian Federation. Do not give in to pressure and blackmail. Walk your own path, and you will succeed. We will help you.

G. Cutmore:

Ladies and gentlemen, the President of the Russian Federation.

V. Putin:

I would like to thank our moderator. I do not know what your day job is, but you are an intimidating person. On the other hand, you are very talented, and succeeded, I believe, in creating a practical – and at the same time a very interesting – environment for discussion. Thank you very much.

G. Cutmore:

Thank you.