

**THE ST. PETERSBURG INTERNATIONAL ECONOMIC FORUM 2009**

**ECONOMIC DAY**

**SESSION:**

**SOCIAL POLICY DURING THE CRISIS**

**JUNE 5, 2009**

**17:00-19.00, Pavilion 8, Hall 8.2**

**St. Petersburg, Russia**

**2009**

## **Description:**

### **In cooperation with Unilever**

What measures are governments taking to minimize the adverse impact of the economic crisis on society? Who should be the first to receive aid: businesses or people? What ways are there of developing into a country with a high level of social security? With current budget deficits, will government funds be more effective if distributed as family allowances or as subsidies or benefits for enterprises? Examination of issues of profitability vs. social responsibility in light of the severe social impact of the crisis.

### Moderator:

**Igor Jurgens**, Chairman of the Management Board, Institute of Contemporary Development

### Panellists:

- **Alexander Zhukov**, Deputy Prime Minister of the Russian Federation
- **Lord Charles Falconer**, Chairman, the John Smith Memorial Trust
- **Anton Drozdov**, Chairman of the Board, Pension Fund of the Russian Federation
- **Neville Isdell**, Honourable Chairman & CEO, The Coca Cola Company
- **Antoine de Saint-Affrique**, Executive Vice President, President, Central & Eastern Europe, Unilever
- **Sergey Vybornov**, President, ALROSA Co. Ltd.
- **Scott McHugh**, Senior Vice President, Global Asset Protection and Security, Wal-Mart Stores, Inc.
- **Martin Jaeger**, Head of Global External Affairs and Public Policy, Daimler AG

## **Transcript:**

### **I. Jurgens:**

Dear Panelists, we are starting the round-table discussion on the social politics. Together we will discuss how to develop a country with a high level of social security, a socially responsible country. Our speakers are well grounded, but on behalf of the Moderator, I will ask all reporters to answer two questions in the course of their speech. The first question is what are the most effective anticrisis measures taken in your countries? As our round-table discussion begins with the main

speech by Alexander Zhukov, Deputy Prime Minister of our government, responsible for the social sphere of the Government, we will ask him to tell us what measures were taken in Russia. And the second question is from your personal experience, how you would determine, now, with the conclusion of the crisis, what are the social components of the economic, President Medvedev has spoken about today? What is the corporative responsibility of business, what is the degree is organised trade-union labour mobilised, taking into account, their control of entrepreneurs and etc.? What is a civilised, social country, what are the important details of the crisis that we should teach each other and what measures should we take in the future. And a word goes to our first reporter, Deputy Prime Minister of the Russian Federation, Alexander Zhukov. On behalf of the member of his Commission of the three side Cooperation between trade unions, entrepreneurs and the country, I can say that I have never met a more thoughtful and hardworking Prime Minister. He manages to read a great amount of data, moreover, comments on it, I have never come across such a case during my experience in trade unions and as an entrepreneur. Alexander Dmitrievich, you are welcome. And the next will be Lord Falconer.

**A. Zhukov:**

Thank you. Dear Ladies and Gentlemen, it is really nice to see the representatives of Russian trade unions and employers in this hall, because it is evident that during the crisis the solution of social problems, which are the urgent problems for all countries, including Russia, is the most important issue Governments have to deal with. As a result of the crisis budget incomes have abruptly reduced – in Russia in 2009 it was reduced by a quarter. This is, of course, a colossal challenge to the country while in crisis, when people loose their work, wages are reduced, the population income as a whole is reduced, and Russia felt it especially strong after eight years of stable population income growth. How should the country behave in these circumstances? Should it reduce social programs or try to fulfill all social liabilities and, what is more, to fulfill the promises given in the more or less stable situation of the previous year? And making a three year budget plan, Russia made a lot of promises. We have been facing this dilemma since autumn last year and it is a problem that is particularly difficult for the Government of the Russian Federation. But we have decided to fulfill social promises and not to reduce social programs. The first we promised and implemented at the end of the last year, at the height, which was to increase the wages of public sector employees by 30%. That was not easy, because in Russia a lot of people are public sector employees and it resulted in great budget expenses. But social support was not reduced. The second challenge we had to face was the growth of unemployment. It occurs in all countries because of the decrease in manufacturing. In Russia within the last eight years the level of unemployment both general and registered unemployed reduced. The number of unemployed has increased by one million people. It has doubled since last September, when the number of registered unemployed was

1.25 million. This is optional budget expenses, but even in this situation we have increased the dole by fifty percent. What is more, earlier in Russia, when a worker resigned from his job by his own will, he had no right on the dole, this law has been changed, since last autumn all unemployed can receive the dole to its full amount. All solutions within the Government Anticrisis Programme are meant to support those Russians who lost their job or are in danger of losing their jobs. And currently there are about two million people who are in danger of losing their jobs that is in addition to those, mentioned earlier, 2.25 million officially registered unemployed people. There are people who work part-time, who are forced to take a holidays etc. Special additional aid programs for regional labour-market of the Russian Federation were developed. They have now been approved in all regions of the Russian Federation. Forty four million rubles have been given from the budget for their implementation. In the total they involve 260,000 workers. They are meant, firstly, for the professional retraining of those who work at factories and are under the risk of being sacked. Secondly, they are meant for the organisation of the short-term working places, including social public work. Although social public work is not well spread in Russia, we have these programmes working in all regions of Russia. That is more than a million of additional short-term working places. We used these programmes to help people to start their own business, recently we have increased the sum of the initial capital attainable for establishing small-scale business and for those with business plans to up to sixty thousand rubles. More than fifty thousand people have received this help. Furthermore, entrepreneurs can receive credit from banks. We were not sure that it will help, but since the end of April we observe small decreases in the number of registered unemployed. During last week this number has decreased by twenty-two thousand. This is rather a big number for Russia. I think that is also because of the season, the number of working places in summer increases, but the programs still work.

The pension is the most important topic of social security in Russia. We have been working on pension system reform for several years. Why is this topic so important? Because four million people in Russia are receiving pensions that are insufficient for the cost of living. That is unacceptable. Despite the crisis, we decided to reorganise the pension system in such a way as to stop our pensioners living in poverty. There will be no pensioners receiving less than cost of living from January 1<sup>st</sup> 2010. That will be possible because of some measures that the Chairman of the Board of the Russian Pension Fund will touch upon in his speech, and on my behalf, I will say that it is important to end poverty among pensioners. From my personal point of view, this measure is both social and anticrisis in character, which will support demand and will increase the wages of state sector employees. Now we are working to entitlements such as child benefits, compensation for people entitled to benefits, to pensioners and the disabled. The effectiveness will be reached by giving it to those in need and not by its total growth.

Next year is the year when Mother's Capital will be used to the full. To my point of view this is the

most effective programme in Russia, meant for improving the demographic situation in Russia, to help families that have two and more children, for developing conditions for them to give birth to the second or third child. Since next year, money from the Mother's Capital will be used for purchasing housing, for children's education, for establishing pensions. These are very big expenses but essential. This programme will be fulfilled in spite of the crisis.

The most important step in the sphere of social security is that Russia has signed the U. N. Convention for disabled people rights. Next year we will start developing the No Barrier Program for disabled people in our towns. That is a very important programme because in Russia there are more than fifteen million people disabled and the environment is not adapted to them. This problem should be solved even during the crisis.

The next point of social policy that we will continue is reforming the healthcare system. We have done a lot in recent years, we have some important programs, first these are programs dealing with cardiovascular and oncologic diseases, with reduction of death-rate because of car accidents, smoking, alcohol abuse and drug addiction. We will continue to carry out reforms and all programs in the healthcare system through a hang-the-expense approach, because it is very important for Russia, It deals with the changing of sources of financing the healthcare system.

We will continue to implement the program of payments of the birth certificates – this is help to pregnant women and reduce mothers' and infants' mortality.

The development of the blood service in Russia is a very important problem that should be solved. Some measures to increase drug production and supply for the population will be taken. Programs for the development of education, teacher support, developing research institutes, improvement of school nutrition, distance education for disabled pupils and many others will be implemented. We will continue to implement the program to provide housing in Russia. We have increased the role of state purchases in the residential sector in 2009 as one of the anticrisis measures, because with the crisis the demand in this sphere has decreased. By May 9<sup>th</sup> of next year we will have supplied all veterans of the Second World War with apartments, a responsibility which has not been fulfilled for many years. A lot of funds are given for availability of mortgage lending, including for young families and the families of servicemen.

I will finish with what I have begun. I believe that the dialogue between employer and trade unions is of growing importance, especially during the economic crisis. Social partners should develop united approaches to solve crisis situations at factories. I think, that it is important that we develop recommendations together with trade unions and employers on cooperation between social partners at factories and in different institutes during the economic crisis. We have to take into account the interests of both sides and developed measures to find a way out of the crisis, even at the factories that are in a very difficult state. Finally, I would like to mention that we have finished work on ratification of the European Social Charter. The day before yesterday the act was signed by the

President. The Charter implies a lot of responsibilities on the one hand, but, on the other hand, it gives additional guarantee to its members, security and development of economic and social rights for our citizens. To my mind, this is an important and responsible decision by our country.

In summary, I would like to say that the Russian government considers that within the economic crisis, we should intensify social guarantees for Russian people, and we will do it despite current financial limitations.

**I. Jurgens:**

Thank you, Alexander Dmitrievich. I think questions will appear later. Now I would like to say, that there is democracy in Russia and we have succeeded in developing it, but because of some circumstances and the authority of Alexander Dmitrievich I have given him more time, than other reporters will have. I will ask them to stick to five to seven minutes. And now a word goes to Antoine de Saint-Affrique, Executive Vice President, President, Central & Eastern Europe, Unilever. The company has been operating in Russia for quite a long period and would therefore like to ask you, Antoine, what your impression are of cooperative social responsibility among our businessmen? I understand that now you will say that Unilever came to Russia with high standards of that responsibility and I will not argue with you. But yesterday the Prime Minister had to go to the town of twenty- thousand citizens and sort out a problem that should have been solved by cooperation between the labour trade unions and entrepreneurs, the city and regional governments and the main factory of the town. This cooperation failed to work and Putin had to interfere. It is not a sound situation. In addition to your, I am sure, interesting presentation, will you share with us your impressions of this? Mr. de Saint-Affrique, you are welcome.

**A. de Saint-Affrique:**

I will try to answer your question and stick to the five minutes you have given me.

**I. Jurgens:**

You will not be able to do that so you will have to cut some places.

**A. de Saint-Affrique:**

I was looking at your screen and listening to you and seeing that people are opposing profitability and social responsibility, opposing the enterprise and the states and what I will try to do in the next few minutes is actually try to share with you a couple of things. I want to say a few words on why business has a real role to play in today's crisis and why actually social responsibility is something that can go with profitability. I will also throw back some challenge to the government because I think the enterprise is not alone, the government is not alone, the complexity of the problems that

we are currently facing mean that we need to work hand-in-hand, labour trade unions, governments, non-governmental organisations.

Let's start with the question of what is the role of business in social responsibility. If you look at thirty years ago basically nobody really cared except a couple of entrepreneurs who opened their own shops. The idea of social responsibility or sustainable development was barely important. It was about <inaudible> pay taxes and make profit. I think this has changed deeply in the course of the last few years for a number of reasons. External factors, internal factors in companies, the power of the people, the power of the consumer; the employees of the companies. And today there is clearly a growing recognition that the social and the environmental challenges that we are facing are so complex that they cannot be solved only by government or by regulation or by NGOs, but by everybody working effectively together including the companies. It would be very difficult to imagine, for instance, that something like climate change (to take something that is not about social but about environment) can be addressed with the active participation of people like Shell or General Electric or like Toyota. Likewise, it is hard to see an issue like poor nutrition or unemployment being tackled without the involvement of the major companies. So the external environment has helped a lot in fostering the role of the social responsibility in the companies.

But certainly, what has helped the most in my view, is the increasing awareness within the business that actually the challenges, the social challenges, the environmental challenges, which were seen as an obstacle to progress are actually fantastic opportunities, with the opportunities for innovation, the opportunities for public development, the opportunities for better involvement in the society. I'm very much convinced that how well and how quickly you develop your business is not opposed to how good you do. You can do good and you can do well at the same time. And our company has been doing that for a long, long time, and if you look at the performance of the company over the last few years, certainly it's proving that -doing well and doing good- you can do the two at the same time.

First you take one example to illustrate social responsibility; I'm going to take an example outside Russia (to stay on a neutral pace). We are a big company in India. In India you have actually about one out of eight people in the world are living in rural India so in small villages in India. There are about 650 000 small villages in India. They have no access to electricity, no access to running water, people are extremely poor, and there is an extremely high rate of unemployment. A number of years ago, about ten years ago, we went there and we looked at, well, how we can do business there in a way that is sustainable. We reached out to a number of people that we are working with a micro credit scheme, we recruited local entrepreneurs who brought technology into those villages, we trained people, we trained them to become product representatives in order to open small shops, we provided them with products that were specially crafted, and thus doing with it two things at the same time obviously we did very good business. And at the same time it created fantastic

economical benefit and created lots of activity at the bottom of the pyramid. We give poor people access to all kinds of infrastructure, lots of employment and also access to hygiene and nutrition. Today we have about 40 thousand people that are employed in those rural companies. We serve about 100 thousand villages and about 100 million consumers that have a different standard of living now.

Is it a good business and a profitable one? Yes, it's extremely good and profitable. Does it have a social impact? Yes, it has a fantastic social impact. So I think that the message I want to give is contrary to what I see on the screen here going in circles, there is no opposition between actually being socially responsible and being profitable. I think that actually companies of the future are companies that are doing the two at the same time and that are companies that have built into their genes and into their innovation programme, the social dimension. This will give them a fantastic edge for the future and this will certainly in our view become a critical driver for both. This being said, the company cannot do that alone. It needs to be done hand-in-hand with all the stakeholders and all the partners and then obviously the state and the government play a very important role. A role in providing for the long-term infrastructure, a role in providing favourable and predicable regulatory frameworks.

If I was to quote four things governments can do, to partner with companies, to get out of the crisis, and to foster that environment of social responsibility, I mean those two are very simple. The first one obviously is partnering in education. Education is certainly one of the key ways in which we'll foster a growth, we will get out of the crisis and we will develop the skill and make people autonomous and make employment grow. This is certainly the first priority in today's economic recession. The second is about research and development. Progress, social progress, comes through innovation. Investment in R&D is the way to get there and certainly technology and fostering an environment where we encourage R&D, we encourage innovation, we grant tax relief to people that are pushing for innovation, is certainly something that governments can do at a minimal cost to foster a society and have a much greater impact on the social context. The third one, and it probably should have been the first one, is that governments play a key role in creating a framework that fosters the sustainable economic growth. It is about complex regulatory framework, or a simple one, it is about finding ways to be stable so that we can boost the growth of companies and give predictability on the environment because the social progress comes with predictability. I think the last one, in my view, and that will be my fourth point for governments to help to get out of the crisis, is to make getting access to finance easy for the small and medium enterprises. We work here in Russia with a very large number of small and medium enterprises. We try to grow them as suppliers, as co-packers. They all struggle for access to credit. A huge network of small enterprises is the condition for broad based employment, for stability but also for innovation.

So to answer the question of the Moderator and to fit within my five minutes I truly believe there is

no opposition between social responsibility and profitability. I actually believe that, and we have proven as a company that the two go together hand-in-hand and that will be more and more in the future. One will be the condition of the other. I believe also that working together between the various stakeholders, be it the government, be it the NGOs, be it the trade unions, be it the corporations, is the only way to move forward and to get out of the crisis rapidly.

### **I. Jurgens:**

Not only did you do very well in terms of substance, but in your examples, in terms of time... It's a very good idea that reputation risks for a bad businessman especially in a local community must be punished and they must be high. In this sense it concerns an incident that happened yesterday in this city, in St. Petersburg, Leningrad region. Yes. I think that the reputation of a businessman and colleague in the Union of Industrialists and Entrepreneurs, Oleg Vladimirovich Deripaska, for whom I have a great deal of respect, will suffer be harmed, which I believe he will, since I haven't seen a beating from the prime minister (including "Give me the pen back!") like yesterday's, in modern times. And if his reputation suffers this damage will be like a vaccination for social and cooperate responsibility, which means: be kind to the local community. And then you will have a chance both in the local community and on a national scale. Let's keep an eye on the situation because we would say it's a historically interesting case. Now we ask Anton Drozdov to speak. Mr. Drozdov is a very important person in the view of developing the social sphere because a lot depends on the pension system reform. We have a certain disagreement with him. I together with, let's say, the staff of our institute believe that the demographic situation means that taking into account the present demographic, labour and other aspects we can't do without a very serious pension reform which includes not only increasing the pensioning age, but also other measures which have already been accepted by the pension reform that began in 2000. Business will also experience this as too heavy a load and pressure. But Anton Victorovich has his own opinion, it is grounded too, good specialists work for him. That is why, Anton Victorovich, we would like you to tell us how we will be reformed in this sense. For us it is very important for Neville Isdell to prepare.

### **A. Drozdov**

Thank you. Well, first of all I would like to say that this is the opinion of the government, not mine, if we speak about those proposals and suggestions which were developed and sent to the State Duma. First, I'd say that in the programme of anti-crisis measures, taken by the government in the current year, one of the important measures is strengthening of social security and here I would explain, in addition to the aforesaid, why it is important to make the social security stronger in the period of crisis, and this is the demand growth; it's very important (if we speak of socially

unprotected population groups, such as pensioners who make 38.5 million, approximately a third of the population) for the financial crisis not to become a social one. In this case it will be even more expensive for the state to solve these problems, and there will be no one else to solve them except the state. And now about the development of the pension system strategy that underlies the bills which are in the State Duma now and about the polemics. The day before yesterday these laws were passed in their first reading, and now they are being prepared for the second reading. Here I would like to emphasise the following: working out these suggestions (and this was in the last year, before the crisis) we proceeded from the following fact: we must give minimum guarantees to retired pensioners. What are these minimum guarantees? The president defined them in his message. This is to raise the social pension to the minimum of subsistence, this is social security, this is growth of the provision of pensions for those who are already on pensions and who work now and will be pensioners in the future, this is the guarantee of a long-term balance of the pension system. So we proceeded from these basic directions and this is what we got: a rise of the minimum social pension up to the level of the minimum of substance. This measure is both anti-crisis and very appropriate, and in general it is a constitutional state's obligation. There were several steps to this goal. It was a long-term way. And the fact that in the end of the current year this task will be fulfilled proves that the state is successively fulfilling its social obligations. In the end of the current year in accordance with the specified budget the pensioner's minimum subsistence will be about four thousand and three hundred rubles, and the social pension will achieve this level. In the future the suggestions which provided a basis of the legislation foresee keeping the social pension at the level of the minimum subsistence. If a citizen's pension is less than this rate the draft law provides for additional social payment. It will be calculated on the basis of the total revenue, it will be carried out by the pension fund with an individual approach to every person, and thus we will proceed from the condition that those who worked but haven't come up to their MSI, will be provided with the minimum of subsistence for an insurance fee. Now about the increase in the pensions. Here we divide citizens into two categories: those who worked mostly during the Soviet period, and who of course didn't make any deductions for the pension system, and now they don't have insurance contributions, and those who began or had begun working in 2002 and who have appropriate pension capital on their personal accounts. The criterion for determining what level of pension provision is required for those who have their record of service in Soviet times is chosen by different minimums of a pensioner. There is no other one. And the goal check point is two and a half of the minimum of subsistence by year 2020. At that the minimum of subsistence is annually indexed taking inflation into consideration. At that if one is to speak about the minimum pension, and about Soviet record of service, one more measure was developed and it slightly alters the "unfairness" which happened in year 2002. As you know in this year pension rights were converted and there were low coefficients because of limited financial resources. Polarisation, that is one-shot

10% rise in the pension capital depending on the seniority from year 2002 raisings for those who worked from 1991 to 2002 and 1% plus those who worked up to year 1991, will allow to significantly raise pensions by 1200 rubles in average for those who had a long record of service in the Soviet times. Thus, this goal will be achieved. Speaking about provision of pensions for those who started work in year 2002 and for whom insurance contribution is being paid, we mean 40% wages level, which was subject to insurance contribution charge. It is taken from the 102<sup>nd</sup> convention, and this is the minimum European standard, and we looked at these indexes as a level which we want to achieve. In order to provide these levels with resources (and I repeat: minimum ones) it would be necessary to understand what our resources are at present. During the examination it turned out that Uniform Social Tax and insurance contributions in general are not enough for financing even the present levels of citizens' pension provision. For example, Uniform Social Tax covers about 50% of the pension base. Moreover indexation of all these parts is carried out by different schemes. Base indexation is generally connected with the minimum pension of the insured part from the pension fund revenues, and indexation of the accumulative part- with the investment revenue. It is very difficult to calculate, understand and connect the pension provision with resources. For this reason we made a decision to reject Uniform Social Tax, move on to the insurance fee, calculate how much it is. These are the minimum levels of pension provision and further we need three things in this system. They are the insurance fee, levels of pension provision, budget subsidy. We believe that such a pension system is self-built and it is balanced and we have just a couple of questions left to discuss. They are the accumulative part, citizen's participation in building their pension and pre-term pensions. And in the conclusion I would like to say the following: there is a question: who should get more help from the government during the crisis? Citizens and families or enterprises? I think that each state solves this problem independently and distributes its financial resources between these sectors. But the supporting tools must be different. The state sectors, those who are not socially protected are the first ones to be helped by the budget funds. And business has access to credit resources, it can decrease costs by reducing taxes and stimulating production distribution. This includes public purchasing, export support, etc. Thank you.

**I. Jurgens:**

Thank you very much. Alexander Dmitrievich asked permission to speak.

**A. Zhukov:**

My remark is simple. Actually, as a result of changes in the pension system during year 2010 the pension in the Russian Federation has 45% grown. That means that as a result of the changes, which Mr. Drozdov has just been speaking about, the pension has grown by almost a half.

**I. Jurgens:**

Thank you very much. Now the floor is given to Mr. Isdell- the Honourable Chairman & CEO of the Coca Cola Company – a pretty big company, whose product is sometimes even tastier than Pepsi-Cola's, but this is just my private opinion. And what about social policy in Coca-Cola? Is it better than the one in Pepsi-Cola, Mr. Isdell?

**N. Isdell:**

It's a shame you're in the minority in your soft drink taste. But anyway, I think if we look at a company that is going to survive and do well in the twenty-first century, there is no question about the fact that the engagement with society has to be very different to the engagement in the last century. But I think Unilever has actually laid that out very well. The headline would be very clear: if we don't have sustainable communities, we don't have a sustainable society. And that means that we have to reinforce the work that we do with NGOs, with governments, and with members, and it's through that multiplier that we are able to get a solution to some of the problems, not just of this crisis but some of the longer-term crises including those affecting the environment particularly around climate change.

One of the other questions you asked earlier was specifically what do you do in this crisis. The first thing you do is: don't panic. You should look at what you can do to grow your business or mitigate at least the effect of the crisis by ensuring that you are really competitive in the marketplace. What do I mean by that? I mean that one of the last things you should do is give up your marketing and your advertising. Obviously, if you're in a situation where bankruptcy is looming, that's a different story. But if you are a healthy company, you should still be talking to the consumer because if you're able to do that, you will gain market share in a difficult time and you will actually protect jobs because you are pushing the top line first, before you start looking at the necessary things you then have to do with regard to taking out the costs, in order to keep the bottom line out of defective level. I think too often the attitude of people who come in with this is that, "Oh, we're gonna cut, cut, cut, cut, cut..." and that is true, but very often we cut away muscle at the same time as we cut away fat. And that is to the detriment of the employees and to the detriment of the business overall.

The other piece that I think is very important is that, anything that is done with regard to sustainability, anything that is done with regard to social policy, must be something that's integral to the strategy of the business. Very often, some of the sustainability efforts are really those of the personal view or the personal desire of the CEO or the Chairman. And, when the CEO or the Chairman changes, you know what? The particular support disappears and it goes into a different

area. If it is integral to the business, if it is part of the overall strategy, then it is sustainable over time. That's what we try to do so that every single effort that we have is sustainable over time. I'll give you one example in this very city. I was involved 15 years ago, when Coca-Cola was the first actual company to do a sponsorship with The Hermitage. It was at a time of crisis. The crisis at that point of time was the fact that some of the great skills in terms of maintaining Russian works of art were being poached overseas at very high salaries, and we worked with the museum to set up a laboratory to be able to retain those people. And that programme continues 15 years later. It was not something that was a one-off but it was something that continued. I just used that as one very specific example.

I think in the broader context (we need to recognise that this crisis, because yes, it's been brought on by failure in the financial system - that's been the major issue, but) globally, the view of business, the view of the free market system, the view of trading has been severely damaged by some irresponsible actions that were taken by people. And we're sitting here today, as business people, having moved back in terms of the image that people have, of what we do in society. We're going to have to earn that back because if we don't earn that back, then some of the things that we have been talking about in some of the other sessions are going to be reflected in terms of how society changes. It's going to become more protectionist. There is certainly going to be cries for more regulation of business and for higher taxes; all of those reinforce a negative loop. So, if you go back to the whole issue of being part of a sustainable community, particularly in the communities in which you operate where you have social license to operate - that is very important; society has to feel that you add back - then all of us will be better off because that's where you get the multiplier.

I would actually like to endorse everything Unilever said because I think that is the model for responsible business in the future and for businesses that are going to flourish and survive in this new century. They'll be the businesses that come through stronger, by the way, in this moment of crisis. Those ones that continue to invest behind their brands and also behind their people in terms of issues such as training. And yes, it is inevitable that layoffs will take place, and those must be done in a very responsible way and by providing as much support as possible for the people who are laid off. I don't want to dock that issue at all because that is something which is difficult but which has to be handled very sensitively. I would add though, that by driving the top line on a global basis, the volumes of Coca-Cola Company grew two percent in the first quarter despite everything that was happening in the world. Not true of Russia, where obviously there was a more significant decline because the crisis was deeper here. But, again, we are trying to keep that top line going in order to be able to ensure that we keep as many people employed as possible and we don't give up on growth.

**I Jurgens:**

Thank you very much! The great Greek philosopher Socrates once made the following observation which has just been made about business. He said “honesty is profitable for everyone, including entrepreneurs” this thought was mentioned several times and I would like to ask Sergey Vybornov, President, ALROSA Co. Ltd when it is minus 60 degrees, is it honest? How are you going to live in such cold?

**S. Vybornov :**

Thank you. It is a good question. It is cold in winter and the machinery was taken from open-cast mines, because it cannot endure such cold. But people in our company are more important than the diamonds. These are not just words. We and the Yakutian budget finance approximately 50% The company spends one 140 million dollars for non-tax payments a year, they are for building social infrastructural facilities such as schools, hospitals, kindergartens, cultural centres and sport facilities. And all these are held on the territory, where in summer it is plus forty five and in winter minus sixty. This territory is equal in size to the territory of Spain, France, Germany, and Italy taken together. And we understand that in most cases for us the notion of social responsibility deals with the question of security, because we cannot have breaks in energy supply, because it can lead to accidents at the factory and to threaten people's lives. It was estimated during the Soviet times that if there is a failure in the energy supply in such regions in winter, it may be impossible to save the entire population.

The company successfully applies the similar approach in Africa, in Angola, where we are successful and well accepted, we are taking the leading positions in Africa. And moreover we are being followed by other global players that choose the same code of behaviour. We have chosen this code, because we have to build business in severe conditions. Simultaneously, we have to solve other problems. We provide mortgages ourselves and build houses in the central part of Russia for pensioners. Now we have to supply the population with food and goods of first priority, because private business created the trade monopoly in western Yakutia, in the area of our mountain operations, and sometimes prices here are higher than in Moscow. Both wages and social security are of high level here, the highest in Siberia. It is not easy, but it is part of our own anticrisis plan, even now during the crisis, we are not going to sack people. We have only given holidays to considerable part of workers, I will underline simple one, for summer, but we have not stopped balancing the books and commissioning. I will point out that 2009 has been a difficult year but has also been a year in which we have spent a large amount of money further expanding our underground mining activities. In June and December two mines will begin operations. In comparison, during the Soviet Union we opened only one underground-mine at a time.

We have some important problems which we must solve in the near future, for example one of them

is that we have 40,000 people working for us and 47,000 including our daughter companies. The number of people working BHP Billiton globally, a company ten times larger than ours in terms of capitalisation, is only 41,000. Recently our company has won four big iron-ore deposits in Southern Yakutia. That project will be a social one too, because people working for us in five to ten years will go to Southern Yakutia to work there. If there are some questions, I am ready to answer them. Thank you.

**I. Jurgens:**

Thank you very much, Sergey. It was impressive. If Mr. Shmakov says further during discussions that ALROSA Co. Ltd is well run we will definitely give our support. And now Scott McHugh, Senior Vice President, Global Asset Protection and Security, Wal-Mart Stores, Inc. will present the success story of their company which is one of the biggest trading networks. As far as I know Wal-Mart Stores is examining the Russian market and we are all for it. We have Pyaterochka, Sedmoi Kontinent, Kopeika and others in Russia and it turns out that market penetration in Russia is 10%. In comparison mobile telecommunication companies have 98% market penetration. We are lacking well organised networks. So Mr. McHugh, please begin. The next presentation will be Lord Falconer.

**S. McHugh:**

Well, thank you Mr. Jurgens and good afternoon all. When my colleagues and I first started making arrangements to attend the St. Petersburg Economic Summit, our goals were quite simple. We intended to sit, listen and learn. But when we got here, we found out that there was actually a presentation that they would like us to make, which was a great honour and we're very happy to be able to talk to this very distinguished panel. I can tell you that we are also very appreciative of the widespread interest in Russia about Wal-Mart. And I can also tell you that we are indeed interested in business in Russia. We are confident that Wal-Mart can add value for Russian consumers and for the Russian economy. But we do not have any announcements today about our market plans. But, we are delighted with the Forum's invitation to talk about corporate social responsibility at Wal-Mart.

At Wal-Mart, our commercial success and our commitment to social responsibility are inseparable. Our global mission is saving people money so that they can live better. We help people to spend less by offering quality food and merchandise at everyday low prices. Those low prices allow consumers to stretch their net incomes, to live better lives, and to do more for their families. That's the formula for social responsibility and is also a formula for commercial success. It has allowed Wal-Mart to become the world's largest retailer. Each week we serve over 200 million customers in

fifteen countries, and in every one of those countries our corporate responsibility agenda begins with that global mission: Saving people money so that they can live better.

Of course, our social responsibility also takes more traditional forms. We believe in giving back to the communities through philanthropic support. In the developing world, this means teaming up with organisations and local governments to help provide basic human needs. For example, we are proud supporters of the United Nations' Millennium Development Goals. But at Wal-Mart, we have a bit of a bias for action. That's really been the secret to our success over time. This preference for direct, vigorous action is part of our culture. It's a legacy handed down by Sam Walton, the founder of Wal-Mart, and it is a style of doing business very much embraced by our new Chairman and CEO Mike Duke. So it's not surprising that at Wal-Mart we also have a bias for action when it comes to social responsibility. As I mentioned, our initiatives in the developing world are coordinated through the United Nations, however, our social responsibility initiatives in countries where we operate stores are chosen with care and are overseen by the local management team. We select those initiatives in the same way we select the merchandise and products that we sell in our stores: with maximum attention to the needs and priorities of our customers in each country where we operate.

Over the past year, we have contributed USD 423 million to charitable and community-based organisations around the world. This is what we mean by giving back to society and it makes for a diverse set of programs, institutions and causes that Wal-Mart supports around the world. For example, in Guatemala we are supporting the Inclusive Market Alliance for Rural Entrepreneurs - to give local farmers the technology and expertise that they need to produce crops for major retail chains including Wal-Mart's operations in Guatemala. In India we are funding programs to provide impoverished factory workers with the opportunity to get an education and thereby improve their lives. In China we are contributing to environmental projects, orphanages and schools, and we are supporting environmental sustainability across our entire international retail operations. And of course, we're active in our home country where, Wal-Mart is the largest corporate benefactor in America. These are only a few of the more than 100 000 efforts that Wal-Mart has underway worldwide on an annual basis.

We have a history of giving back to the communities and countries where we do business and, sometimes, in parts of the world where we are not doing business. We do this because we want to be a responsible citizen of the world. So I can assure you that Wal-Mart will similarly be a responsible corporate citizen in Russia. Like all such citizens, we will support worthwhile community efforts within Russia. But I think our unique contribution to Russian society will come through our global mission: Saving people money so that they can live better. We look forward to doing that within Russia, for Russian consumers, as we help the country to fight inflation by

keeping prices low. We look forward to creating new jobs, to creating economic opportunity, to sharing new retailing technology, to developing a new customer base, as well as a new supplier base within Russia. But more than anything else, we believe our business model will help Russians to spend less money and thus improve their lives. And at the end of the day, that's the best form of social responsibility. Thank you very much, Mr. Jurgens.

**I. Jurgens:**

Thank you very much and I hope that you finally come. And as Mr Koizumi said today during the plenary, there will be Wal-Mart networks where each product can be bought at USD 1. I don't think you'll pledge - it was a joke!

Now the next presentation goes to Lord Charles Falconer, Chairman of the John Smith Memorial Trust. John Smith was the leader of Labour Party and would have become Prime minister of Great Britain, but died young. I had a chance to attend the meetings of board of directors of that organisation that provides funds and pays for the Study of students from all over the world, including Russia and CIS at English Universities. I think the speech will focus on charity.

**C. Falconer:**

Thank you very much indeed. First of all, may I profoundly apologise for being late. I flew over in a British Airways plane - it left London Heathrow late, so it is entirely the fault of British Airways. I am entirely delighted to be here in St. Petersburg. This is the second time that I have been to St. Petersburg. I came to St. Petersburg in 1996, when my son, who was then eleven years old, played the part of Seryozha Karenin - that's Anna Karenina's son - in a film that was being made in St. Petersburg, and myself, my son and my wife spent three months living in St. Petersburg in 1996. St. Petersburg then was the most beautiful city in the world but it was absolutely on the floor economically. It is great to come back and to see how it has flowered over the last thirteen years. I should say that my son, having made this film, had no future career in films. He is now twenty-three years old and is a civil servant in the department for transport. Therefore it didn't lead to a great film career, but it did lead to an abiding love on the part of my family for St. Petersburg.

I am, as well as being the former Minister of Justice in the United Kingdom, the Chairman of the John Smith Trust. John Smith was the leader of the Labour Party up until 1994 in the United Kingdom, when he died very suddenly of a heart attack. As a result he did not become Prime Minister of the United Kingdom in 1997, when the Labour Party won. Instead it was a young man called Tony Blair, who was more successful than my son as far as becoming a celebrity is concerned. The John Smith Trust aims to promote good relations between Russia and seven other former Soviet Union countries and the United Kingdom. Over the last few years relations between Russia and the UK have not been as good as they could have been at governmental level. There has

been a whole series of issues between the UK government and the Russian government. However, the John Smith Trust brings over a number of young leaders from Russia and the other countries and they spend five weeks in the UK. It has been going for fifteen or sixteen years and promotes real links between our two countries. The John Smith Trust is a profound friend of Russia and I am absolutely delighted to be here today to be able to talk about the social impacts of the recession.

The attitude that the UK government has taken to the recession is not the same as has been taken in all previous recessions since the Second World War. Everybody will know that the recession is affecting the whole world; that it is dramatically reducing trade in the world. The British government along with most other governments has spent an absolute fortune on ensuring that the banks remain properly capitalised so that they can continue to trade. The government expenditure remains at the same level, because we are doing our best to ensure that the social impacts of the recession are reduced by keeping business going. In Russia I would imagine that you are experiencing the same as we are; namely there is a huge downturn in business. The impact of the measures taken by the state have only mitigated the effects; they have not remotely resolved the problems of the recession. I think that the effects of what has been done has meant that the recession will come to an end earlier than it otherwise would, however we will still have a very long period of time when unemployment continues to go up, businesses continue to fail and the impact on individual people's lives will be immense.

I think there are two points that I would like to make in relation to this; first of all, the standing of commerce and very successful capitalists will go down dramatically and has already gone down dramatically. Apart from politicians, who are the most unpopular people in the United Kingdom by a very long way, we now also have the bankers, whereas, up until the recession hit, the bankers were regarded as very popular and successful people. They are now regarded as being reviled because of the mistakes they made which lead to the recession. The knock-on consequence of that, connects in with what the chief executive of Wal-mart said: people will expect business organisations - whether they be banks, or whether they be some other form of business organisation - to show much greater connection with the community than they have previously shown. The pursuit of profit alone is an unacceptable way of conducting business now because whereas previously, it was strongly felt in the UK that the successful pursuit of business was good for the whole community, the collapse that has now occurred has made people rethink that. So people will expect business now to be much more connected with its communities and that will mean, for example, making sure that they are employing as many people as they can from within their communities and contributing to the social infrastructure of their communities.

The second aspect of the recession that is worrying is obviously the fact that as people become more unemployed and there is less money around, they expect their governments to become more protectionist. As you find globalism only produces unemployment in your country you will seek to

look outside your country (as is occurring in the United Kingdom) and seek to blame others. Inevitably that will lead to pressure for tariffs of a variety of sorts, particularly in the context of government bailouts of industries, including in particular, the car industry. As, I hope, everybody has said, that should be strongly resisted because the prosperity of the world over the last three to four decades has been based on an ever-increasing open market. The one thing that would be disastrous arising out of this recession, would be an end to that open market and the growth of protectionism. I very much hope that the measures that have been taken will lead to the effects of the recession being much less than they otherwise would. A long-term disaster would be a much reduced market and I hope that all of us here at the Economic Forum can contribute to ensuring that that will not happen.

**I. Jurgens:**

Thank you very much. The list of Panelists is over. We have two speakers for you. Now each of you can ask questions or make reports, but I will ask you to stick to three minutes. Our discussion was good, in an optimistic way. The government has presented an objective, optimistic plan of measures that are taken and reforms that are planned. Corporations presented their way of corporative, socially responsible behaviour. The situation in Russia is more difficult, so Mikhail Yurevich Shmakov, the Head of Russian labour trade unions, might tell us about social inequality or will try to evaluate today's discussion.

Please, Mr. Smakov. Mr. Zacharyashchev is the next.

**M. Smakov:**

Thank you. Dear Mr. Jurgens, dear colleagues!

The topic of our round-table meeting is social policy during the economic crisis, and this makes us speak about the crisis and what must be done in order to lessen its influence on common people. Here I must say that everything presented in the report of the Deputy Prime Minister Alexander Zhukov very clearly shows the following: in Russia significant and appropriate measures have been taken in order to minimise these consequences. The listed measures are also supported by Russia's trade unions - we regularly on a monthly basis discuss them, debate them within the limits of the Russian Trilateral commission. And in the course of the discussion we will find a solution together. Nevertheless, as our President Dmitry Medvedev has said today, we must speak about coming out of the crisis and about the actions we should take after it. In particular, policy and social accountability of business must prevent such crises in the future.

And in this sense even the situation, examined by the Prime-minister in Pikalevo shows that social responsibility of at least three companies which work in the city is extremely limited, moreover it isn't being provided at all in connection with the crisis.

Because of the corporate conflict when owners of three shares of one technologically united enterprise couldn't agree there was a social collapse in the town with the population of twenty thousand people.

Measures taken by the Prime Minister are thoroughly adequate. Moreover, we suggested nationalizing or taking the business from these ineffective owners in order to restructure and sell it, reprivatizing it again, having handed it over to a more effective owner under certain guarantees of technological unity.

In this connection I would mention two things.

The first: We must be honest. In particular today we heard some data – that the pension reform has increased the pension by 50%, for our pensioners. This is good. But let's remember what was the amount which has grown by half and let's think if it's enough for our pensioners.

The rate which we call a minimum subsistence for a pensioner and a minimum subsistence for a working person in Russia – and we base our economic calculation on this index – are not the criteria which we should take as a basis. We have a lot of work to do in this field. And the sooner we start it and the sooner we overcome all the consequences of previous decades, which our President has spoken about today. The sooner we begin real economic growth and social welfare gain for Russian working people and Russian families. We should move away from the index of subsistence minimum to the minimum consumption budget, which is 2 - 2.5 times higher than criteria accepted today. Business should be guided by this – it is the index of minimum consumption budget that lays in the basis of trade unions' demands, and further these demands will be founded on it. This is the first thing.

The second. Optimistic reports of our companies about high social responsibility – this is good of course, in particular what we heard from Alrosa Co. Ltd. Nevertheless, there are problems which must be solved. These are problems of greater freedom for trade unions, greater respect for their rights at enterprises – today these rights are far from being constantly observed.

Concerning retail trade systems. I welcome Woolworths coming to Russia but not on the terms which are being criticized by international trade union community around the world. Today in Russia we suffer negative results of activity of such retail chains as Auchan and Leroy Merlin, at that there were no such problems in the countries in which they started to work. We greet any foreign companies in Russia if they observe Russian legislation, in particular the right of Russian company employees to found trade unions, and consequently – to protect their labour rights. Companies which have demonstrated a negative example in this respect will be exposed to serious sanctions on the part of trade unions, those state authorities which must provide oversight of Russian legislation.

And in the conclusion I want to say that our pension reform and all resolutions adopted in the first reading is of course a step forward. But we have to move realistic calculations for the pension

coverage system. This is 34, 36 or 28% of pay rates. Coming out of the crisis we should be more honest with each other, rely on objective calculations, which will really let us move forward. Sorry for taking your time.

### **I. Jurgens:**

Very well. The voice of trade unions must be heard always and everywhere.

The first Deputy Chairman of the Duma Committee on public associations Vasily Ivanovich Zakharyashchev, Vasily Ivanovich asked permission to speak. Three minutes please. Mr. Bunin, get ready.

### **V. Zakharyashchev:**

Dear Igor Yurievich, dear Alexander Dmitrievich, dear participants of our round table.

Dear friends, let me thank you for the opportunity to express my concerns.

We in the State Duma recently had very important events – parliamentary hearing about horticultural situation in Russia and about development of public self-government. The results of the hearing showed that the unique Russian phenomenon – agricultural movement is a social basis during the economic crisis.

Just recently Russia was shocked by the statement of the governor of Vologda region, Mr. Pozgalev, who made a decision to distribute land to people free of charge, and in addition two hundred cubic meters of sawn wood. It is a huge investment and they are made in conflict with the law, but nobody said anything. Because this is done for the benefit of people. Aman Tuliyeu decided to give everybody ten hundred square meters of land for growing potatoes, to keep the people busy. This is a manifestation of humanity to a huge army of 60 million people, just think 21 million families own garden plots.

And we are illegitimate children to our government. Today we suffer a great deal. Instead of help the Ministry of Finance and Mr. Kudrin shear the sheep twice a year.

Not only the land tax has been raised – cadastre work has been carried out. We have adopted Law No. 131 on local self-government and immediately after that decided to tax horticulturists so that others rest on their laurels, and to provide for their old age. Just think: half of children in Russia have holidays in horticultural plots. And we tax them for it. Furthermore, from 2007 to 2009 this tax was raised ten to twenty times.

Here is my colleague Irina Valerievna Sokolova, Deputy Chairman of the Duma Committee on family and childhood.

We address to you, Alexander Dmitrievich. You are a protector of horticulturists, because you are a member of a horticulture association. We think that 60 million people must see directed at them. Our English colleague cannot understand this - in England 80% of population live in private houses,

and in our country 80% of population live in public or private co-operative flats. We are deprived of the happiness to have our own house. To be a member of a horticulture association is a way to solve this problem as well.

Today Minister Trutnev and many others, for example, Mikhail Victorovich Shmakov, support me. In Russia it is necessary to distribute land if we want to come out of the crisis, we must make people busy. Besides, horticulturists today provide good food. I make a suggestion, Alexander Dmitrievich, to declare 2011 in Russia as the year of the horticulturist, and I am asking members of this round-table meeting to support me. We must turn our face to this great power, with a large population, because these people will be the ones who determine the results of the future elections of the President and the State Duma deputies. I suggested a legislative initiative, and Mikhail Victorovich Shmakov supported me, to declare the second of May as a national holiday, the Day of the Horticulturist. Ten million people should have their professional holiday. Dear Alexander Dmitrievich, I am asking you to support us in this initiative too.

It is necessary to develop a federal special programme of help horticulturists.

In conclusion I would like to thank Igor Yurievich and to finish with the following words: the strength of the Russian people is in land. Thank you.

#### **I. Jugens:**

I believe that Alexander Dmitrievich, as one of the leaders of United Russia, within the limits of its party will promote solutions to this problem. Thank you very much.

Honest eyes of one of Russia's leading political scientists, Igor Bunin, is indicating that he wants to say something. Please, Igor, you have three minutes.

#### **I. Bunin:**

Let's go back to Pikalevo. As a matter of fact social policy in the crisis is not something connected with the future, but a real situation which in a very concentrated state reveals all the problems. The situation in Pikalevo is not the first one. For example let's remember the pensioners in Altai, who opposed benefits monetisation and the governor even didn't appear before them. Or the Leningrad machine-building plant, where the director said: I am firing everybody but you will be able to eat pasta for three months, won't you?

The situation had a very dangerous demonstrative effect, because with the help of personal supervision you can solve the problem of one district, ten districts, but there are 460 cities and this is 40% of gross domestic product and 40% of population. You cannot solve the problem in general using a deus ex machina method.

The second thing is inefficiency of our social management. The problem began in December – nobody paid, nobody took notice of it, and in addition to this hot water supply stopped – isn't that a

Battleship *Potemkin* situation? When the Mayor's office was taken by storm nobody came out to the people, nobody talked to them, nobody solved this problem Mr. Serdyukov advised Vladimir Vladimirovich going to another city which according to his words was much better. There the plant is built and everything is okay. So it turned out that our governor is not a politician, but a bureaucrat, though he had been elected: he acted not by political but by bureaucratic principle. He is accountable to the higher authorities, and not to his electorate. Of course we can say that entrepreneurs are no better, they don't have any social responsibility at all! But they started to act only on May 20 after the Mayor's office had been stormed. Only after the situation becomes urgent everybody starts to make a fuss on short notice. And how can the system be effective if there is no social dialogue, if leaders are treated as disorganisers. It is good we have a Prime-Minister who can come and solve the problem, but I keep repeating: the maximum he can cover is fifteen enterprises! That is why we have to change the system of social management very urgently, and not only social, but also political management! That's all!

**I. Jurgens:**

Thank you very much. Just a second, Mikhail Viktorovich, you will make your point clear as well but first all of the panelists have a right to respond to what have been said.

**M. Shmakov:**

I beg your pardon; there is a certain kind of misinformation in what you have just said. The conflict began not in December last year but in February 2008, when there was neither a world financial crisis nor financial crisis in the Russian Federation. We examined this situation, it was all about a company-wide crisis which they tried to solve by engaging working people and the citizens of the city of Pikalevo who turned out to be hostages in this situation. The three owners of the company pursued an antisocial and an antistate policy. The fact that the Prime Minister had to come there and make appropriate decisions means that the measure of last resort had to be taken. The authorities together with the governor of the Leningrad region had proven their complete inefficiency. They had a social dialogue, and the trade unions played a leading part in it. They did everything to make it happen.

**I. Jurgens:**

Thank you, Mikhail Viktorovich. But both of you are saying that the institutions failed to work, the same institutions that have to be improved! They have to be improved in the social and political sectors including pension reform and every other reform. Alexander Dmitrievich, do you want to respond to that or to something else? And then maybe, a few minutes for each, does anybody else want to speak out?

Please speak up!

**A. Zhukov:**

I would like to respond to that and to answer the question most frequently asked on the screen: Who should we help first: business or people?

It is not an empty question. Amid the economic crisis and the scarcity of government resources this question arises every day, but I think that helping business and people is not really opposite intentions. I agree that this country is different from the other countries because during the Soviet times many cities were established around one or two large enterprises where all or nearly all of the population and each family had persons connected with them. Due to many reasons these enterprises under crisis face serious difficulties. In this case, of course, if the enterprise is basically competitive and is able to survive it is necessary to help when the orders become fewer and the market share is less. Under these conditions public assistance is needed, we need to help the people who live in such a city and thereby have no other place to work. The anticrisis program of the government is also designed for such city-forming enterprises. We made a special list where more than three hundred of enterprises of all-Russian importance have been included. They are most important from the social point of view, for example, the enterprises of the automobile industry where together with joint enterprises work millions of people. There are such lists for each region including enterprises which are the framework of entire towns and they have to receive help first! As for the situation in Pikalevo which is very much talked about for already two days all over the country, I think that the conflict arose because the owners of the enterprise failed to use the tools which I mentioned earlier. We have worked out the recommendations for the enterprises currently facing the crisis during the all-Russian tripartite commission. They stipulate how the trade unions and the owners of the enterprises have to deal with each other in order to emerge from the crisis. Here everybody has to make concessions otherwise such situations will persist and the government will have to interfere to make decisions. They have to be solved completely differently, but I am happy that such cases here are still singular for more than six months of severe crisis! I hope that in the future they will be rare. Answering the question of Mr. Bunin: the government really can and must handle such crisis situations. There are appropriate mechanisms for it and they must function! In my opinion they do function in Russia!

**I. Jurgens:**

Thank you very much. Anybody else? Please, Anton Viktorovich.

**A. Drozdov:**

It is just as Mikhail Viktorovich Smakov mentioned in his speech that the increase in pensions is

insufficient as the currently existing level is quite poor. I would like to make a remark. The measures to increase social security have to be financially balanced so that the government can fulfill its financial commitments without fail. We have, and you know about it, <inaudible> quite serious calculations based on the model that was internationally accredited and we are ready to show it to your representatives and we assure you that we can still keep up the achieved level. Moreover, they take into account the demographic situation in this country and we are also ready to show it in practice. All the risks are calculated and if we want to continue to increase the pension we have to develop the economy, and business. If the values achieved become more and only after we have calculated it again should we be able to continue with the pension rise. And one more remark on using the tools and the institutions: the pension fund, as we know, starting from 1<sup>st</sup> January 2010 will have to administrate, we are already in arrears for insurance payments and we use such institutions. We have signed an agreement with you under law 56 and we will collaborate with you to supervise the salary payments as we call it 'reported salary', we are using all public organisations, pensioners unions, we will work with the employees and the constitute entities of the Federation. We have this work well-established, there is complete transparency about it and although we were delegated with these functions excluding the right to such important administrative functions as seizure of accounts and documents we are not too much concerned about it, we think that we will be able to fulfill our functions with efficiency due to the support of these tools and institutions that already exist.

**I. Jurgens:**

Thank you, Anton Viktorovich. Mikhail Yurievich, the St. Petersburg forum has inspired you to take such decisive steps that we are afraid to see the Pikalevo case repeat...

**N. Isdell:**

Let me just say very briefly, I've been coming here for twenty years. It's wonderful to sit here and hear a great democratic dialogue. And I think if we're here, we're talking about investment, and the lively debate is the debate of the civil society. It's great to be here. Thank you.

**I. Jurgens:**

Thank you so much. Yes, in fact, we have dialogue here. We are proud of that. It is one of the achievements of the social round table. Would anyone of our colleagues like to speak out? No.

Mikhail Viktorovich! No matter how democratic I am there is a limit. We will see into your behaviour during this tripartite commission and I think Alexander Dmitrievich and I will criticize you for your hyperactivity. Dear colleagues, I think I won't summarize here. I think the most valuable achievements here was the fact that we expressed conflicting points of view while

remaining politically correct, we also listened to the criticism for some of our government's actions, tried to think about the future, not to rest on what has already been achieved and to find ways out of the crisis. We had a chance to listen to very constructive speeches from our foreign colleagues. I think such kind of social dialogue has to be present always and not only in the Tripartite commission but also on a broader scale. Here Alexander Dmitrievich says to me that we will support the horticulturists. Thank you very much to you all.