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NORTHERN CAUCASUS: UNLOCKING THE POTENTIAL

Building Russia's Creative Capital

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Throughout history the great powers have competed in the Northern Caucasus to assert their geopolitical and economic interests. While the region has a huge potential for growth and development, a balanced approach on a range of issues affecting the Northern Caucasus has to be adopted to avoid delays in development.

Moderator:

Margarita Simonyan, Editor-in-Chief, Russia Today

Panelists:

Prince Faisal bin Al-Hussein, Founder and Chairman of the Generations for Peace Institute, IOC member

Akhmed Bilalov, Chairman of Board of Directors, Resorts of the Northern Caucasus; Vice President, Russian Olympic Committee

Valery Gergiev, Artistic and General Director of the Mariinsky Theatre

Igor Ivanov, Ambassador Extraordinary and Plenipotentiary of the Russian Federation, Professor, MGIMO-University; Minister of Foreign Affairs of the Russian Federation (1998—2004)

Alexander Khloponin, Deputy Prime Minister, Plenipotentiary Envoy of the President of the Russian Federation to the North Caucasian Federal District

Wolfgang Schuessel, Former Federal Chancellor of Austria

Jean-Pierre Thomas, Special Representative of the President of France for Development of French-Russian Relations

M. Simonyan:

The third bell has tolled and it is time to begin our session, just like in the theatre.

Hello and welcome to everyone who has come to our discussion on the North Caucasus and its future. Welcome also to the participants of the discussion who, I am sure, have a lot to say. It is a great honour for me to be the moderator of this debate because I myself am from the North Caucasus, perhaps from its most touristic part, Krasnodar Territory, and can assure you that if you have not visited the North Caucasus, you have not seen the most beautiful and wonderful region that Russia has to offer. On the other hand, I can appreciate the misgivings of those who have never been there. According to the rules, any good debate must begin with a joke, even quite a serious discussion. I can tell you about the time Viktor Kazantsev, the former Envoy of the President to the Southern Federal District, brought journalists to the North Caucasus, to the then war-torn Chechnya, and told them, "Look how beautiful it is, look at the waterfalls and greenery. It is just like being in Switzerland". To which the journalists replied, "Of course it is like Switzerland. Our main concern is for the bearded Swiss not to appear from out of the ravine". However, that was a long time ago now, and much has changed since then. The district has changed its name and both the Plenipotentiary Envoy of the President and the President himself are different. The extent to which the Caucasus has changed and will continue to change, and the possibility of us going there, as though to Switzerland, to ski and admire idyllic waterfalls, is our topic for today's discussion.

Allow me to introduce those taking part. The Plenipotentiary Envoy of the President of the Russian Federation to the North Caucasian Federal District and Deputy Prime Minister, Alexander Khloponin. Hello. Next, Igor Ivanov, Minister of

Foreign Affairs between 1998 and 2004 and now Ambassador Extraordinary and Plenipotentiary of the Russian Federation. Thank you. Hello. The Special Representative of the President of France for the Development of Franco-Russian Relations, Jean-Pierre Thomas. Welcome. The Founder and Chairman of the Generations for Peace Institute and Member of the International Olympic Committee, His Royal Highness Prince Faisal bin Al Hussein. Wolfgang Schuessel, Former Federal Chancellor of Austria, 2000–2007. Finally, Akhmed Bilalov, Chairman of the Board of Directors of Northern Caucasus Resorts. Of course, our first question is for the person who is actually responsible for everything that we are discussing today, for the development of the North Caucasus and its future. That is to say, it is for Alexander Khloponin. Alexander, what is the current situation, what does the future hold and when will everything be as it should be?

A. Khloponin:

Margarita, when I am asked how things are going in the North Caucasus, I remember how just a few days ago the film *Moscow Does Not Believe In Tears* was on television. Do you remember how he sits there, picking apart the dried fish?

M. Simonyan:

Yes, he bangs it down.

A. Khloponin:

What is going on in the world? There is a lack of stability and terrorists have once again hijacked an aeroplane. If you want me to answer the question how things are in the North Caucasus, then I think we do not have enough time. In reality, it is a remarkable and unique part of our great country. It is very

beautiful, which you mentioned at the start, and an extremely interesting region that possesses natural resources and unique human potential. It is an incomparable region that has not received enough genuine attention in the last 20 years. When the President took the decision to establish the North Caucasian Federal District, the main task that was stipulated was for the Russian Government to focus more on the problems that currently exist in the Caucasus and a target was set to integrate the Caucasus as much as possible into the national agenda. The problems that the Caucasus now faces are characteristic for the whole of Russia. Everything that you can imagine in Russia is now present in the Caucasus.

However, I should say that even in the last eighteen months, since the North Caucasian Federal District was established, much work has been carried out. Today we have created a great degree of robustness so that the Caucasus can take giant strides forward and grow in precisely the economic areas that will truly be competitive. The Caucasus has gone through various historical periods. Generally speaking, in Soviet times, we produced a development model for the Caucasus that emphasized the construction of regional defence infrastructure. Today we speak of not wanting to create, like Isaac Asimov, an artificial city under a dome where oxygen can enter and the people live in a kind of abstract world. We say that the Caucasus should now only develop the industries that will be fully competitive not only in Russia, but also in other countries. Therefore, the 2025 development strategy for the North Caucasus prescribes the key industries that will actually be competitive in the Caucasus.

Which ones are they? Above all, it is tourism. I should remind you, for many of those here today may not be aware, that one year ago in this very hall the President started, for me, the unique development of the project called Northern Caucasus Resorts. A huge amount of work has been done over the last year. We

need to express our gratitude to the Northern Caucasus Resorts company, about which Akhmed will tell you more later, and to the leaders of our Republics, who have played an active part in this project, as have many others. Today we have more than a company, which is well capitalized, with RUB 5 billion in authorized capital, a figure that will soon rise to RUB 6 billion. The core target of the company is to invest in infrastructure and create the conditions required for the development of a tourism cluster. We are now being assisted in this by our colleagues from France. I would like to extend my sincere gratitude to the Special Representative of the President of France, who is here with us today, and who has also taken an active role in the work and is helping us out. Yesterday, President Medvedev witnessed the signing of an agreement that initiated the development of a Russian-French joint venture. The industry that we will possibly talk about more than others today is that of tourism in the North Caucasus, which is being developed with the help of our foreign partners. This is a huge high-potential resource that not only embraces the beauty, culture and traditions of the region, but is also highly important in terms of local employment. It can become part of the development process of the vast tourism cluster that we are planning to create in the Caucasus.

However, we are not restricting ourselves to tourism, and believe that the Caucasus also possesses huge potential in terms of raw materials and the construction industry. We think that this industry can now be used to develop companies that will provide construction materials, not just to Russia but also to neighbouring states and territories. In our view, the potential for agribusiness in the Caucasus is—if we are looking for ecologically friendly production—a huge resource, which today should be put to use effectively. However, of course our most important resource and the main source of potential in the Caucasus is the people. If we nowadays tend to say that there is a demographic crisis throughout

Russia, the reverse is true in the Caucasus, where the birth rate is relatively high. Young people in the Caucasus, who now know about Russian culture and Russian literature, should be integrated as much as possible into the processes occurring in the country. We should not shut these young people away in the Caucasus. We should aim for them to work throughout Russia. Today we are therefore discussing that major corporations and companies, who are here at the Forum and have strategies for the period up to 2025 and programmes in operation across Russia, should make as much use as possible of these high-potential human resources and develop a much needed education system in the Caucasus.

Let me repeat: when people ask me what it is like in the Caucasus, I tell them that it is "stable but tense". There is no doubt that we still have to traverse a difficult path. However, for pity's sake, I ask you, in the presence of my colleagues the regional heads: there is no need to associate the Caucasus solely with aggression, or to treat it like a region where only negative events occur. The Caucasus is truly a unique place and if you come to see it, you will have a wonderful time. The people there are remarkable. It is an incredible region that is fully entitled to growth and to exist. Fortunately, this is understood not just by us, but by our counterparts in other states and countries as well.

M. Simonyan:

Nevertheless, let us call a spade a spade. For many of the people who have never been to the Caucasus, did not grow up there and are not responsible for the region, a trip there is frightening. Unfortunately, it is frightening for objective reasons. It was only recently that the wars ended and terrorism died down, although it still persists to this day, with the Foreign Offices of many countries

officially advising against their citizens going to the Caucasus. When will it be safe there? How long will it take, Igor?

I. Ivanov:

Thank you very much. First of all, I would like to welcome the President of the International Olympic Committee and the leaders of the North Caucasus Republics. Thank you for finding the time to come and participate in our discussion. I believe that it is very important for those of us taking part in the debate and for public opinion in the country. This underlines the significance that is attached to this serious issue. The Caucasus is indeed still inseparable in our mind from security problems. It is a vicious circle. As Alexander fairly said, investment and economic projects are required for the modernization of the Caucasus. As we know, you need stability and guaranteed security for investments to be made. In turn, for stability and guaranteed security, there needs to be a decent standard of living and a functioning economy. That completes the vicious circle. In Russia, there are probably many people who would be prepared to reduce all the problems in the North Caucasus to the underhand practices of the West or the subversive activities of Islamic fundamentalism. In equal measure, there are those in the West who also support the theory of a 'zero-sum game' in the Caucasus. They claim that all the region's difficulties are, in one way or other, artificially created by Moscow and that the West's goal should be the gradual 'ousting' of Russians from the Caucasus.

All the same, there are becoming fewer and fewer proponents of such an outlook and this event serves to confirm this, for the simple reason that such extremist views bear no relation to the reality of the Caucasus as a whole and of the North Caucasus in particular. Any right-minded politician can see that increased tension in the North Caucasus, let alone attempts to force Russia out of the region,

would give rise to many more complicated problems. Furthermore, instability to the north of the Greater Caucasus Mountain Range would inevitably spread to the area to the south. The opposite is also more than clear. In addition, does this mean that the North Caucasus is not a geopolitical plaything and that international encirclement would not create any problems for the region? Unfortunately, such a conclusion would currently be delusional.

It would seem that it is appropriate to talk of three different types of geopolitical challenges that have a greater or lesser influence on the current situation and the region's outlook. Firstly, international extremism and terrorism. Secondly, the vestiges of a 'Cold War' mentality that is still held by politicians in both the West and the East. Thirdly, the distinctive allure for Russia and its neighbours of achieving a tactical advantage in particular questions, sometimes at the expense of significant, long-term interests. Each of these three challenges of course deserves a separate discussion, but I will focus on the first.

When people refer to the war against terror, they normally mean the fight against terrorists as such and their sponsors, ideologists and allies. Meanwhile—and this is currently a hot topic—preventing terrorism is of no less significance. By this, we mean the range of social, economic, administrative and other measures called upon to destroy terrorist breeding grounds and political radicalism in general. The world's cumulative experience, for we are not pioneers, in particular in the Balkans, the Middle East and Northern Ireland enables us to gain both positive and negative lessons and to see which strategies have been successful and the reasons behind this success. Yevgeny Primakov, my former manager and tutor, recently published a book, "Thinking Aloud", which is highly regarded in the Caucasus as well as in the rest of Russia. He devotes an entire chapter to the Caucasus and the North Caucasus. Primakov writes that all those trying to stabilize the situation in the North Caucasus, the

overwhelming majority of whom are in Russia, need to understand that the struggle will be long, and will in no way be limited to the hunt for rebel leaders. If force continues to be applied against the militants, then it will still be necessary to concentrate on other measures. One of these has already been correctly identified as the socio-economic development of the Republics of the North Caucasus. The former Federal Chancellor of Austria, Wolfgang Schuessel, whom I highly respect, is here with us today. Together we learnt the harsh lessons of the Balkan Wars, where we spent several years attempting to resolve the political situation. Let me give you an example, taking advantage of the presence of the President of the International Olympic Committee: the 1988 Winter Olympics were held in Sarajevo. As you know, cities in prosperous regions are chosen, where stability reigns, and the 1988 Winter Olympics were a great success. Yet literally five years later, this wonderful city was besieged, a situation that did not change for three years. I visited the city during the siege and saw the destroyed buildings and the suffering of the people, who lacked both water and food. I saw these horrors with my own eyes. Today Sarajevo, after having managed to reach a political settlement, is once again on its way to becoming a thriving city. Substantial investments are being made, including in the development of ski resorts. The city is now recovering and is being returned to its former glory. Therefore, it is neither a theory nor a fantasy, but the reality, and we must learn these lessons, including here today.

Nowadays, as can be seen, thanks to the efforts of national government and the international community, much is being done. I am convinced that the vicious circle that I mentioned earlier can and needs to be broken. The political will for this exists. Concrete actions are required and we are talking about this today. Once again, I would like to refer to this book and quote just one more phrase. Yevgeny Primakov mentions the development path and calls it 'Khloponin's

Experiment'. So you have already gone down in history. Khloponin's experiment continues, entailing the application in the North Caucasian Federal District of a combination of socioeconomic measures and firm strong-arm tactics.

M. Simonyan:

Igor, I think that you will now have to give Alexander Khloponin this book as a present so that he is sure to read it.

I. Ivanov:

Yevgeny Primakov will give it to him because I am a reader and not the author. A reader remains just a reader. In conclusion, I would like to mention that another highly significant factor is the in-depth academic study of the problems in the North Caucasus independent of emotion and market analysis. This is something we do not just need for today, but for the long term. I believe that this can be organized on the basis of the state university, with the involvement of academics from different regions of Russia, from the North Caucasus and other Caucasus Republics. This will involve all those who want to understand the Caucasus and its history, kind-hearted traditions and future, so as to be able to deal with these problems together in a serious fashion. This is not just important for the project that we are discussing today, but also in order to lay stable and durable foundations for security in the North Caucasus and the Caucasus as a whole. As self-promotion I can tell you that in Moscow we have just established a Russian Council on International Affairs, which will also be prepared to get involved in the examination of these problems, if, of course, our leaders in the Federal District consider this feasible. Thank you.

M. Simonyan:

Thank you. What are the views on the future of the Caucasus amongst those holding key political positions? It would now be interesting to know if anyone in the audience who has come to listen has any comments. Please, just a few quick comments. Are you convinced that the Caucasus is flourishing? It seems you have confidence. To my right they are telling me that Igor Yurgens has faith that the Caucasus is on the road to prosperity.

I. Yurgens:

Can I make a comment and ask a question? I was born in the Soviet Union and lived in this region for 40 years. So, being from the Soviet Union, I can clearly remember the experience of how our fellow Republics were represented in the Politburo and other organs. We have very intelligent people here with us who have endured war and are hardened soldiers, who have the support of many intellectuals. Why do we not conduct what in America they call 'affirmative action'? Let us include in the leadership of Russia, the government and the upper and lower houses of parliament a quota, if you will, of high-level representatives from the Caucasus Republics. Instead of a negative lobby, they will be a positive lobby from the North Caucasus, which will be represented on the basis of a quota. Can we look at this question?

M. Simonyan:

Let me make a small comment for those who are sitting at the back and cannot see. In the first row, we have the leaders of some of the Republics of the North Caucasus. Thank you for coming. Perhaps I have left someone out. Does anyone have a response to the question? Yes, of course, the President of Dagestan is also here. The President of the Karachay-Cherkess Republic as well. Many thanks

for coming. We will definitely hear your thoughts later. I believe that this will be one of our key discussions. Alexander, do you have anything to say in response?

A. Khloponin:

I would like to reply and make a comment. Do you remember the well-known joke: Ukrainians live in Ukraine but 'khokhols' live across the world and prevent Ukrainians from building an independent state? If you look at the structure of the Russian parliament and the Federation Council, you will see that the Caucasus is reasonably well represented in both houses. We can talk of quotas, but the Caucasus is represented in adequate measure. This is not the problem. If our parliament was represented by the kind of leaders you described, who had genuinely experienced all that, they would play an active role, and I think there would be a lot of progress. Therefore, I support your thought and the idea you put forward. In my view, we cannot simply think this over, and instead need to discuss it and make faster progress in this area.

M. Simonyan:

Any further comments from the audience? Probably not. Thank you. We have a few statistics that we would like to share with you about how people in the Caucasus see their future and that of their region. Many of those here today are probably from the Caucasus but we will speak with them later as well as having a direct line to Lago-Naki and Dagestan. Therefore, 31% of the local residents surveyed believe that the situation will improve in the next year. For me 31% is a high number. It is almost a third. 10% think that things will worsen. For as complex a region as the Caucasus, 10% is probably not that many. You would think that, after all that has happened recently in the Caucasus over the last couple of decades, at least half of the people would hold such a view. In

addition, 26% do not think that the situation will change and 33% found it difficult to respond. So the majority of people believe that things will get better. At the time of the poll, 24% thought that the situation was already improving. Alexander, you are probably happy to hear this: a quarter of those questioned deemed things to be getting better already, 12% to be worsening and 51% thought that the situation had not changed. This last number needs to be improved upon.

I would like to ask investors: are you ready to believe in today's topic, in the future of the Caucasus? As part of the '2025 Strategy' programme, RUB 2 trillion in investments are required to turn the Caucasus into the centre that we dream about and are striving for. This is a colossal sum. We will now discover whether those who have the money and spend it believe in this. We know that the French continue to be supportive. In May, the Presidents of France and Russia signed a memorandum, according to which French companies have agreed to commence operations in the Caucasus, to share their experience and to provide their expertise. A joint venture is currently being formed between Northern Caucasus Resorts and a French State holding company, which has experience in development, construction and the implementation of similar projects in the French Alps. The French company, apologies for my French, is Caisse des Dépôts et Consignations. On what basis are the French so confident in the success of this venture, and why are they not afraid when so many others are? We will ask Jean-Pierre Thomas about this, for he is responsible for trade relations with Russia. Thank you for joining us here today. Could you please tell us why you are so sure that everything will turn out well?

J-P. Thomas:

I would first of all like to welcome Mr. Khloponin, with whom we have had extremely lengthy discussions on this topic in order that we could be inspired by the goals and had a clear understanding of the project. I would like to welcome Mr. Bilalov, with whom we have also worked extensively on this problem over a number of months. A warm welcome also to Mr. Ivanov, and of course to our friend, Former Chancellor Schuessel and Prince Faisal. One year ago here at SPIEF, Nicolas Sarkozy announced that there were no longer any dark clouds hanging over relations between Russia and France, including in the Caucasus, since the region is famous for having blue skies for more than 240 days per year. The agreement signed by the Presidents during the G8 Summit in Deauville declared their high-level intentions, reflecting the desire to cooperate in the development of the wonderful Caucasus. This arrangement is at the centre of the international strategic partnership between our two countries.

Yesterday, in the presence of President Medvedev, we signed the agreement between Caisse des Dépôts, who were represented by Mr. Laurent Vigier, and Northern Caucasus Resorts, represented by Mr. Bilalov. We signed the agreement, which obliges us to cooperate in the successful implementation of this project. Of course, this should partly answer your question. We believe, and France believes and has confidence, that the project will be carried out. We have faith in the economic development and tourist potential of the North Caucasus. It is crucial to develop them and this will obviously be conducive to raising the standard of living of the local population. We have also spoken at great length of respect for the culture of diverse ethnic groups and religious faiths and, of course, of the protection of natural resources. We should discuss environmental protection, since it is nature's assets that make this region one of the most beautiful on Earth and have to attract thousands, and ultimately millions, of tourists from around the world. When such projects are being developed—we

have worked alongside Egis for many years—it is very important for there to be cultural and economic clusters as well, of course, as the resort cluster and areas for coastal development, cultural development, and equipment and so on. This all constitutes a single complex.

What do France and French industry, which is present at the Forum, in particular Caisse des Dépôts, have to offer? Above all, we can offer our experience. We can invest alongside you and bring in new technological opportunities. This field of activity has been expanding in France over many years, as France is renowned for being a tourism powerhouse, with around 80 million tourists visiting each year, providing a substantial inflow of funds into our economy. We are developing this area, including in mountainous regions. We have experience in the equipping of mountainous regions and possess wonderful natural parks. We established special structures for the development of mountainous regions, identical to those for coastal areas. Our parliament voted in favour of special laws, whilst our regions and departments (administrative districts) also adopted a suitable regulatory framework with regard to these problems. This entire legislative and regulatory framework can be put at your disposal.

We do not just possess experience in technical areas, but you see, engineering and equipment are crucial, and we have with us here a representative of the French company that produces the appropriate equipment. We have a great deal of experience in the hotel industry. We also have lengthy experience working on thermal spas. Our experience is not limited to this and, naturally enough, we should add our experience where yours is lacking. Russia clearly has its own experience but we could help to develop airports and transport infrastructure in general. You have extremely large labour resources, consisting of adequately qualified workers. Nevertheless, they require additional training, and we are prepared to provide assistance in this matter so that this training conforms to

international standards. This experience can obviously also be useful for our partnership.

There is also a range of problems associated with security, for example the safety of the ski runs that need to be fitted out in a reliable and secure manner. There are also issues with the marketing plan. How can we attract tourists? We have faith in this project because we can see how, following the implementation of Russia's modernization programme about which President Medvedev spoke yesterday, there will be major changes and a strong middle class will develop. In Russia, you have substantial resources for the tourism industry. We should attract tourists from Western countries, who would come and discover a completely unknown country. For this, you need to establish relations and learn how to deal with others. I have spoken to the Prince on this topic and we expressed a keen interest in the new tourist regions. It is very important to ensure the successful implementation of this project. There are obviously always sceptics when you carry out any project.

You have to protect the environment, but it is also a matter of having the ability to keep the population living happily in these natural conditions. This is what it means to create a balanced ecosystem. France, just like our Austrian friends, also has considerable experience in this area. You discussed security better than I can, but in my modest opinion, economic development, which enables new jobs to be created and increases the population's interest in economic development, has always helped ensure political stability and security. You see, we often have a very short memory. Last week I thought about the project and recalled several previous ones focused on South American countries and Turkey, whose success became clear in due time. For example, look at the development of tourism in Kenya. Of course, conditions were not entirely perfect in any of these regions, but today they are important tourist centres.

Therefore, I believe that some scepticism is to be expected. Our challenge is to overcome it and convince the local population, as well as our friends in the media, of the need to develop the region and take concrete steps to this end. Investors obviously notice this, and the fact that the Russian government has guaranteed the security of investments, so French investors, just like investors and industrialists from other countries, are becoming more and more willing to develop the region.

I will just say a few words on how this is all taking place. Yesterday we signed the agreement, perhaps Laurent Vigier of Caisse des Dépôts will tell you about this, and I would like to emphasize once more that this was done in the presence of President Medvedev. Our two companies should make rapid progress. We should quickly combine the ideas of French companies working in the transport industry and in tourism, particularly winter tourism, and prepare logical and consistent proposals in order to move our projects forward. In my view, we can already establish a Franco-Russian joint venture that would manage the implementation of the project. I consider this to be a key element: when I conducted negotiations with our Russian partners, we discussed the need for fast progress to be made.

To conclude, I should say that this project is at the heart of the economic development programme as described by President Medvedev yesterday. We are essentially discussing a wonderful example of public-private partnership. On the one hand there is the state, which undertakes to provide the necessary infrastructure, and on the other the private sector also rises to the challenge, demonstrating the initiative of both the Russian and foreign business communities. I consider this a wonderful model for the development of economic cooperation between our two countries.

On that note, I would like to conclude my speech, because by the end of the year a report on the potential for the creation of a Common Economic Space between Europe and Russia is to be presented to the President of France. Today we must learn to work together, to establish joint ventures and to provide services to the population as well as producing something together on our continent, both in order to strengthen the friendship between our nations and to ensure our competitiveness on the international market. That is what I wanted to say. The project under discussion today is truly a very important one, and it requires the fulfilment of certain commitments. I am confident that the political leadership of France, who are here at the Forum, and the heads of French companies are ready to fulfil their commitments and develop the project relating to the North Caucasus.

M. Simonyan:

I have another question for Alexander Khloponin: what can you offer France in return? Can we ensure the conditions for the safe and long-term entry of business and serious investors into your region?

A. Khloponin:

For one thing, this will create job opportunities for France. Generally speaking, if French investors are going to launch projects and introduce pre-existing advanced technology that will also be used in France, then it will be a mutually beneficial partnership. We receive modern technology that we lack and our French colleagues receive job opportunities and observe growth in existing areas of the economy. This is a mutually beneficial relationship. Jean-Pierre Thomas said that the task of the federal centre is to guarantee security for those who are coming to Russia today. The crucial question is whether we are in a position to

do this. Today I can say with almost 100% certainty that we are in a position to provide security for future investments in the Caucasus.

M. Simonyan:

That is excellent. Your confidence is inspiring. Just a few days ago, the bill concerning the status of future resorts passed its first reading in the State Duma. The Speaker of the State Duma, the charming Svetlana Zhurova is here with us. Svetlana, when will there be further work on the bill? Will you work alongside the French parties so they share their experience and explain how best to proceed?

S. Zhurova:

Hello to all the participants in our discussion.

It is true, the bill that will enable the Northern Caucasus Resorts project to develop differently passed its first reading in the State Duma just a few short days ago. It was supported by almost all political parties, with one exception. There was a typically lively debate, as there should be. The crux is that Russia has a law that regulated tourist recreational zones, namely the law on special economic zones, but this project, about which there was a government resolution six months ago, cannot exist under the current legislation. By the way, it is quite right that such comprehensive, large-scale and ambitious projects are able to amend legislation, focusing on the reality of life. It is impossible, if you are tasked with an abstract theme, to write a law on how to protect investments, detailing when work should begin, that everything should be wonderful and that all zones will work effectively in reality. This does not work unless there is an ambitious project in which people are prepared to invest and which already has budget support. We can then determine the standards that need to be changed, which, in principle, we have already done.

New concepts have appeared, such as tourism clusters and holding companies. In this project, this is of particular necessity: six regions are being united into one tourism cluster that is to be controlled by a single holding company with a united ideology, a single idea and the same management team. This is extremely significant because a united concept for the development of the whole industry will be maintained. Opponents have told me that this could lead to corruption and lobbyism. You know, about 20 million people live in the North Caucasus. If I am to be called a lobbyist for improving the life of the population of the North Caucasus, then I am prepared to accept that and defend this bill. It is important for me because I understand that an additional 300,000 jobs will be created and agriculture will also improve. As Alexander Khloponin said, we will return to traditional forms of life in the North Caucasus. Take for example the environmentally friendly products that will be provided by the Northern Caucasus Resorts, the hotel business, cafés and small businesses. This will serve the all-round development of business in the region.

We will undoubtedly cooperate with our French partners. At our meeting yesterday, we discussed the fact that in France there is a special law that regulates this industry in full. We will be delighted to share our experience and this will be a positive process for both sides. I would also like to say that the key point is that we are looking for ways to modernize our country and think that, besides heavy industry, we should probably modernize something else. For me, if we are to discuss moving from a commodities-focused economy to something of an entirely different kind, then the tourist industry is an area that we have not yet developed and to which we do not have a particularly serious attitude. The North Caucasus is a jewel in the crown of Russia that could completely change attitudes towards our country and towards tourism here.

I would like to add a personal example. On April 1, I went skiing in Sochi. I went up in the ski lift and conducted a straw poll of the people sitting next to me. These were elderly people in typical, albeit not especially fashionable or modern, outfits. They were using old Soviet skis. It was clear that they had been skiing enthusiasts for a long time. I asked them how they felt when they skied. They replied that they usually go skiing in the North Caucasus, but this time they had come to Sochi and were simply bursting with pride. I asked them what they thought of the project being prepared for the North Caucasus. They told me it was great news. "If we can ski there, that would be a dream for us, so we are delighted with the project". These were not even middle-class people, for they seemed to me to be of lower-income, and yet they described to me how happy this would make them. In my view, if we are able to make these people happy, then the Caucasus has a future.

M. Simonyan:

Thank you, Svetlana, for your wonderfully passionate speech. When you said that you are prepared to be a lobbyist for the 20 million inhabitants of the Caucasus, I saw how the leaders of the Republics nodded their approval. In reality, being a lobbyist for the 20 million people of the Caucasus is a worthwhile occupation. We have yet to hear from the person who, strictly speaking, is running the project and who must make sure that, in four years time, there will be a garden city. I am referring to Akhmed Bilalov, Chairman of the Board of Directors of Northern Caucasus Resorts. Please, what can you tell us?

A. Bilalov:

Thank you, Margarita. Dear colleagues, I want to welcome all our guests, first and foremost the Envoy of the President to the North Caucasus. Despite his

hectic schedule, he found the time to visit St. Petersburg and even come to our panel discussion. It is, moreover, fantastic that the project being conducted in Sochi for the Winter Olympics has, to a certain extent, been a catalyst for all the other processes in the Caucasus. It seems that the arrival on the scene of Alexander Khloponin has radically changed the face of the Caucasus, because his experience in business and in leading regions of the Russian Federation, coupled with his personal background, is unique. We can all see this and are aware of the amount that has been achieved in one year, as well as all the changes that have occurred. We all know Igor Ivanov as a politician, who served as Deputy Minister of Foreign Affairs and later as Minister in a very tough time for our country. Many people do not know that he was actually born in the Caucasus and that events in the region are of great concern to him. I always turn to him for advice and receive the most competent answers to my questions. I got to know Mr. Thomas quite recently, but from almost the very beginning we have spoken the same language, that of the mountains. The language of the mountains can be expressed in different ways, but we are almost completely of one mind when we work together. Prince Faisal and I recently held an extremely important event, the Generations for Peace Camp, in Sochi. He is a member of the Royal Family and we consider his idea, namely taking representatives of the younger generation to places such as Sochi, Azerbaijan and Kazakhstan, very important for improving communication between future generations. We are delighted that Mr. Schuessel accepted our invitation to take part in the discussion. He needs no introduction. Austria is a unique country, which we have all visited many times on holiday, and under his personal leadership, many changes took place there. It is an even greater pleasure that he is here with us, given the fact that Salzburg and Sochi were competitors in the fight to win the right to host the 2014 Olympic Games. Although we won, Mr. Leitner, who was head of the Austrian bid, is now

a member of our Board of Directors, and remains a superb ambassador for Austria and Austrian business, and we are delighted that he has achieved much in this time. So we have an international and extremely interesting discussion here.

Alexander Khloponin described how we gathered in this hall a year ago to listen to our President, Dmitry Medvedev, and all the leaders of the constituent territories of the Russian Federation. I will not list them all, for they are all in the first row. This year was a test for us all: could we, having organized a presentation like that with huge figures, change the stereotypes? Our experience shows that we have achieved a lot in a year and reached a level slightly higher than our target. This does not mean that we will rest on our laurels. We will raise our standards even higher and hope that we will not stop. In the past year, the development strategy for the Caucasus was approved. This is a very serious and powerful document, based on extensive research, forecasts and personal experience. Everyone taking part in it has a conscious desire for change. The fact that the speaker of the government is responsible for the strategy gives it even greater significance, and fills you with confidence that everything will go as planned.

If we take our project, in my view it is reasonably prominent and very important because, as everyone knows, the greatest number of jobs is generated by the tourism industry. Let me just say that what we saw in France made a deep impression on us. We really enjoyed our two visits, during which we were shown everything. In France, there is an association for those providing tourism services in the French mountains. Its head, who is here in the hall, was an extremely warm host, so thank you once again. We were simply astonished to discover that, in one year, tourists spend the equivalent of 59 million resource-days in France. If you imagine the amount of transport services this requires and the

taxes and jobs this creates, then it is truly amazing. There are in the order of 250,000 jobs in transport, the energy sector, agriculture and direct services, that is to say hotels. For me, this is what is currently lacking in the Caucasus. We also went to Austria and studied the Austrian experience. It just seemed that the French experience is more applicable for us, because France also found a solution to the political challenge of the 1950s and 1960s, when it experienced high unemployment and rapid urbanization. So the state built the resorts virtually from scratch, even buying up the land, and ultimately created a vast, high-end tourism centre that is fascinating in every respect. As far as I know, tourism is the second largest industry in France. Our door is always open, so we conducted detailed negotiations with our Austrian colleagues and I hope that, with the benefit of the resources, connections and experience of the former Chancellor, we will be able to attract our Austrian counterparts, with Mr. Schuessel as our guide. We are delighted to meet anyone who has the desire to take part in our project.

I would like to say a few words about the problems we face. Unfortunately (or fortunately), security is not the main problem, as it could be said that there are now no safe places in the world for a number of reasons. The dramatic events that took place this year in Tunisia, Egypt and Libya drastically changed the geography of tourism. When Dmitry Medvedev came to Sochi and began to discuss this matter with Alexander Khloponin, it turned out that there were no places to send our citizens on holiday. With Egypt, Tunisia and Turkey closed off in one day, there are no modern resorts left where we can go on holiday. We all know that we have a huge domestic market, with 80% of the population not having an overseas passport, coupled with language barriers and visa regulations. We simply have to build at least one destination in the Caucasus, all the more so since there is no need to think up anything new, as there are

already incredible mountains, wonderful weather and great hospitality. For us, it would be criminal to fail to use the advantages we currently have.

We are more concerned by issues relating to education and medicine, because the current infrastructure in the Caucasus differs considerably from what we saw in France and Austria. We have therefore discussed this matter several times but I think that we will soon need to return to the issue in a serious manner. If we look at France, there are 16,000 people in the trade union for ski instructors alone. In addition, we discovered that they study for six years, not six months. They are rescuers, doctors and guides all in one. Can you imagine the number of jobs? Therefore, we need either to use our existing core universities or create something new, perhaps even in the form of a contract that we are ready to offer 50,000 places. This will probably be interesting for some universities. The same is true of medicine. The key thing that we have built into the project is the public-private partnership and the incentive for business to become involved for the investment to be repaid in five or a maximum of ten years. The questions posed by Svetlana Zhurova, who, moreover, is an Olympic champion, are crucial: tax breaks, a free economic zone and the other forms of preferential treatment that investors will receive. In this case I can say that it is to Alexander Khloponin's credit that he insisted that foreigners coming to Russia should be in no doubt that we have resolved our security issues. State guarantees should be included in the budget. You know, there are many interesting projects in our country and there has never been a single case that has offered safeguards, not even in the oil and gas sector. This instils confidence in investors. Yes, we accept that we have problems, but we are resolving them, and if anyone is in any doubt, we are prepared to back it up financially that this will be achieved. Obviously, this cannot be done in one year, or even in two.

In terms of security, we have performed an interesting experiment: if you look at street crime, today it is 4–10 times less in the Caucasus than in any other region, for example than in Siberia, Western or Eastern Russia. Violent crime is of course higher in the Caucasus, but it seems to me that there is a stereotypical view that if a crime is committed in Siberia or the Far East, then it is not a real crime. It does not interest the media. However, if it is committed in the Caucasus, then it is newsworthy. For me, our joint challenge is to alter this stereotype so that we believe in ourselves and make those who want to live a better life in the Caucasus believe. Perhaps there was a period of depression when everyone could see that the country was going through difficulties, with high unemployment and unpaid pensions. Nevertheless, a lot has changed today and if we take the statistic Margarita mentioned earlier, then I am absolutely convinced that people now want life to improve and have faith that this will be the case.

I would like to add a few words on the make-up of the project. We are currently focusing our attention on the skiing area because it is considered valuable from a business perspective. However, we all know how incredibly beautiful the places on the coast are. Turning to sporting traditions, we can quote the statistic that, in Soviet times, over 5 million people visited Dagestan annually, filling the entire seashore. What Krasnodar Territory has achieved, with 14 million tourists coming to the seaside, is incredibly impressive. This is the neighbouring region, so is not very far away. Therefore, we believe that there is huge potential for the Caspian and Mineralnye Vody, the richest thermal springs. The fact that a large number of people visit France and Switzerland in both the summer and winter is a reason for serious optimism. We will soon prepare and present our conclusions. I hope that Alexander will actively assist and promote this project. In this sense, it is very important to develop a landmark international partnership. How can we

make sure that the stereotypes will be changed, or that new, amended opinions will appear? Some of you perhaps know that there is conflicting information on the age of Derbent. Some say the town is 5,000 years old and others 3,000, but we know that it is the oldest town in the country. This is obviously one of the best-known sights in the region, alongside Elbrus, which is the highest mountain in Europe. So, in my view, we need to make as much use as possible of the area for international events. I discussed with the President the idea of bringing some sporting games or international competitions to the region so as to show a different, better side of the Caucasus. In my native Dagestan alone, there are an impressive 15 Olympic champions in a republic of 3 million people. There are 15 Olympic champions and 89 world champions. There are not many countries who can even boast of having a single Olympic champion. Muhammad Ali promises that the London Olympics will see the number of champions increase to 20. This is also of benefit to the region. If we take everyone in the region, then there will be about 50 champions, since I think that we have approximately 50 successful sportsmen. We have not done the sums, and these numbers are very approximate. Alexander, it seems to me that we need to bring all the component parts together and obviously focus on certain tasks, just as you have mapped out the strategy, and progress towards their realization.

I would like to conclude by saying that we receive a lot of questions related to the public's perception of the project. Recently we saw Greenpeace make relatively provocative claims, although they do not have a single document that shows our project to be 'criminal'. We are completely transparent, as is our project, both for the public and for international organizations. So I had an idea, which I would like to propose: let everyone who wants to do so form a separate environment and community committee. Let me address everyone who is on today's panel: I would like there to be greater international and environmental

control. There is nothing we are planning in the Caucasus that has not been done before in Austria, France, Switzerland and other countries. Thank you for listening, especially those who found the time to come, possibly instead of attending other panel discussions covering other areas of interest. Thank you very much.

M. Simonyan:

We have not finished yet. Alexander.

A. Khloponin:

I would just like to add something quickly to what Akhmed said. Jean-Pierre Thomas and I just spoke in Moscow, where the negotiations were held, and what we do not want to do is simply make a copy of the Alps in the Caucasus. We already have that. I believe that the central idea at the heart of the development of the Caucasus is to use modern technology whilst making sure to preserve the specific traditions and culture of the region. This is crucial because it will become an important factor in attracting tourists from around the world to come and see the remarkable natural and cultural beauty of the Caucasus. There is no need to transfer ready-made European traditions to the Caucasus. This is all I wanted to add.

M. Simonyan:

Austria has been mentioned many times, and Austrian resorts are famous throughout the world, but this was not always the case. With us today is the person who is directly responsible for the creation of the conditions that enabled Austria's resorts to attain their current status. I am referring to Wolfgang Schuessel, who until 2007 was Federal Chancellor of Austria, previously having

served as Minister for Economic Affairs. Please share your experience. How were you able to achieve this?

W. Schuessel:

Thank you very much for inviting me and for mentioning that we were competitors for the Winter Olympics in 2014. Yes, at first we were a little bit sad, but congratulations: you were the winner. Honestly, I think it was a good choice. It was just that we were a little bit sad at that first moment, when we found out. We Austrians are working together with you, and Austrian companies and expertise are fully involved in Sochi. We are builders. We are investing. Some think we have good companies in Sochi. And I wish you all the best for this Winter Olympics.

Now, yesterday, I listened to President Medvedev's speech; it was very interesting to me. And what he said about less dependency on oil and gas, diversification of the Russian economy, promotion of small and medium-size companies, and the fight against poverty – especially the fight against the unemployment of the younger generation: this is all included in your project in the North Caucasus. This is so important. This is one of the relevant answers.

Now, you might ask: what does rich, stable Austria have in common with the poor, unstable North Caucasus? And that really is my story.

In Austria, 60 years ago—and we have about the same population size, so the population in the mountains in the North Caucasus is around the same as in Austria: nine million people—60 years ago, Austria was one of the poorest countries in the world according to the United Nations, one of the poorest countries in the world. Today, we are the third-richest nation per capita within the European Union.

Fifty years ago, it was not always stable and peaceful. We had a very strange conflict with our southern neighbour, Italy. We lost South Tyrol, for instance, which had been part of Austria for centuries. We lost it. And we had terrorist attacks along the border of South Tyrol. Fifty years ago. We are now commemorating the bombing nights when people were killed, where bomb blasts exploded and destroyed the whole electrical grid in the northern part of Italy.

Now, Austria and Italy are friends. No clouds in the blue sky. We have no borders, no passports. We have the same currency. Nobody even knows where exactly the border was. So this is possible.

And tourism is one of our big success stories. I will just give you a few figures; it is one of our big economic sources. We have 33 million guests every year. Two thirds, 22 million come from abroad, and around we have about a fifty-fifty division between summer and winter tourism. So it is equal; it is very important, by the way, to keep in mind that you need a year-round season—not only winter sports, but also try to have wellness and health tourism, et cetera. It is very important.

EUR 22 billion is spent in Austria, and two thirds of this money comes from abroad. So I think this is an enormous success story. So it shows the potential: that what is in your plans is possible. Not now; not, maybe, in five years' time, but for a longer period, one or two generations from now. So those people who are now young, they will earn. They will harvest what you are now investing in your future.

The tourism industry—and I was Minister for Economic Affairs including Tourism for seven years as well—is a fascinating industry. It is high-touch and high-tech. You need heart, a big smile, and engagement. But you also need to have the best possible skills. This is important. And I fully agree with what Alexander

Khloponin said: "Do not lose your originality." I have some advice from my experience. Maybe it is not always that polite, but it is really honest.

Firstly, do not copy other good success stories. Develop your own. Originality. The Caucasus is completely different from, let us say, the maritime resorts in Greece or Spain or Turkey, or the old-time resorts in France, in Switzerland, or in Austria. Develop your own originality, your own style of life. And believe me: people will come when they have the feeling that this is something special.

My second point is that this is a high-tech industry. For instance, in Austria, we have 90,000 companies involved in the tourism industry; 300,000 well-trained workers and employees. For instance, the cable car industry of Austria is number one in the world. By the way, we have already signed a Memorandum of Understanding. Doppelmayr is now fully integrated in your project. So develop again your own ideas, your own skills, and your own industry.

The third piece of advice: integrate the local population from the very first moment you start. So not top-down, so to speak, a big project. The President's decrees are absolutely important. The Duma's decision is absolutely important. But it is also important to have a bottom-up approach. Integrate the local population.

By the way, sometimes it is not easy because the local population, the communities, and the municipalities have their own interests: how to spend money, what to do with the money. But offer them some shares. The best examples in Austria are those villages where the local people are involved. Maybe they own 10% or 15% of the shares, but they are involved. They are shareholders. They are stakeholders in this kind of common project. And they are the ones who protect and defend your project, not the international and other investors. They are protecting their own business, their own future.

My fourth piece of advice—and you said it before—is to integrate ecological experts from the very first moment. So a green resort, a green project is state-of-the-art. The Winter or Summer Olympics are impossible without a good ecological programme. Integrate it fully.

Do not take the fanatics seriously, those who are accusing you of developing a criminal project. This is nonsense. But accept those who are really, wholeheartedly interested in ensuring an ecologically friendly tourism industry here in the region, because it requires a lot of very sensitive and very sophisticated techniques. For instance, in winter tourism, you need, de facto, the creation of artificial snow. Below 2,000 metres in altitude, you need additional artificial snow.

For instance, in Austria, two thirds of our slopes, our peaks, have this equipment. This is very expensive, and it uses water. So there is a specific requirement for water management, for energy use, for energy resources. So this has to be developed. So the greening of this sort of tourism industry is absolutely important.

And then the fifth piece of advice is: improve the service quality of your personnel. This is the mystery behind the service industry as such. If you have unfriendly people—unqualified people—forget it. Tourists will come once and then never again. But if you have people—ski teachers, waitresses, hotel managers, shop owners, etc.—if you have people who are really interested in helping you, advising you, with a big smile, people will come again.

There is a Chinese proverb. If you open a shop, first, you have to have a big smile and good skills. We in Austria have one industry for tourism and 27 specific colleges just to train between 25,000 and 30,000 employees every year to improve their quality.

And the last piece of advice from my side is: be patient. This is an investment for years and decades to come, because the tourism industry is a very sensitive and sophisticated industry. I am a passionate skier, and I am probably one of the first visitors to come to the North Caucasus, because I saw the images and the pictures. It is fantastic. I will be there, and a lot of other Western Europeans will also come.

But the interesting thing is that you have to improve every year. Every year, not once, and then wait and see, and harvest the profits. Then you have an investment ruin in ten years' time. This is not what you intended. This is not what you deserved. So this is something you have to improve every year. We invest, for instance, between EUR 5–6 billion in the tourism industry every year. Maybe that amount is not necessary in the beginning, but it is necessary to improve it every year.

So I wish you all the best. I am proud to be here, and I will watch what is going on carefully. All the best.

M. Simonyan:

Do you have anything else to add? You have already interrupted the applause. Go ahead.

J-P. Thomas:

I would like to mention two very important points that were touched upon by Alexander and the Former Chancellor, on which I am in full agreement. The first point is the following: it goes without saying that we do not need to copy or reproduce the leading French or Austrian resorts. We need to adopt a new model that will obviously be based on other models, but will nevertheless be specific to the Caucasus. In particular, I have in mind architecture, and am thinking of how

we can preserve the environment and the landscape. We recently spoke with Alexander. I am also an experienced skier but, after a hard day in the mountains, I prefer to drink some hot milk in the chalet than go to a restaurant to have a standard meal. We need to blend in with the local surroundings and local industry, taking into account both international and local cuisine. This, of course, is an extremely important growth factor for tourism. We dealt actively with this in our mountain resorts and as a result, the local economy is highly integrated into the major tourism projects.

My second point relates to all the work done to produce a regulatory framework at a communal and local level and the laws that have been passed. We spoke yesterday about this specific concern. We will establish a group of regional parliamentarians, who will share their experience. This is obviously not just a matter of adopting the legislation in full. We have to be inspired by the legislation to create a suitable legal framework, which, for me, is essential. These are the two points I wanted to make.

M. Simonyan:

Thank you. On the line now, we have, strictly speaking, the mountains under discussion. We are already running behind schedule so I am going to ask Lago-Naki, where I once went on holiday as a child, to be brief when we talk to them. I must also ask all our speakers to keep to a time limit Hello Lago-Naki. Can you see and hear us? There is Lago-Naki. Hello Lago-Naki. Our correspondent there is Alexander Kanevich. Alexander, welcome to you and everyone who has gathered there. Look how beautiful it is. Absolutely wonderful. Tell us how everyone is, what is going on? There is clearly snow on the ground. Do the people around you believe that everyone will soon be going well?

A. Kanevich:

Hello Margarita and the distinguished participants in the discussion. We are here at the Lago-Naki plateau, about 200km from Krasnodar and 1,750 metres above sea level. Our choice of location was deliberate, for it will be on these slopes that there will soon be a skiing resort with ski runs, lifts and all the necessary infrastructure. By the way, I should point out that we are 90km away from the largest building site in the country – the site of the Sochi Olympics. Firstly, I would like to ask the representatives of the local authorities whether this creates any special obligations. Introduce yourself first.

A. Kravchenko:

Andrei Kravchenko, head of the Apsheronsky municipal district. Of course, we have high hopes for the project, for Northern Caucasus Resorts and that we will have modern resorts. The status of being the Olympic region clearly places certain obligations upon us, and we understand that the resort should be as modern as possible and conform to all international standards. A delegation from Krasnodar Territory recently visited Austria on the instructions of the governor Alexander Tkachyov. We visited an array of ski resorts and were once again convinced that our natural potential and our mountains are just as good as the Alps. We can certainly create resorts, even perhaps better ones. For us, what is important is what the project will bring to the local economy: jobs for our residents and tax revenue.

A. Kanevich:

Thank you. I would now like to hear from the businessmen who are ready to work on this project. Do you have any questions? What needs to be done and what are you prepared to do now? Are you ready to invest?

V. Bruno:

Vladimir Bruno, Honoured Builder of the Russian Federation. It is clear to me and everyone at the Forum what needs to be done and how we need to go about it, to make the region extremely attractive. Behind me is the stunningly beautiful scenery and slopes that could enable the Russian Federation and Krasnodar Territory to have European-standard resorts here. We have built a small tourist complex here with 42 rooms, but for investment to be made we above all need to construct roads, extend the gas pipeline, connect it to the electricity supply, build waste treatment facilities and provide a water supply. The state should play a most active role in developing the region, for it will then be extremely attractive for the rest of time.

A. Kanevich:

Thank you. What do you think? To the best of my knowledge, I believe you are also in business.

From the audience:

Yes, of course. Good afternoon, esteemed colleagues. I am Gurov, a self-employed businessman from Moscow. For three years now, I have been working in the village of Guamka in the Nizhegorodskaya rural locality. What do I want to say? We are working hard and are prepared to invest in the restaurant business, in hotels and in resorts. We obviously expect the state to participate in the development of utilities and telecommunications.

A. Kanevich:

Thank you. We do not just have businessmen and entrepreneurs with us today, but also normal residents. I would like to know what they think. Do you see it as good for the region that there will be a ski resort of such high quality?

Local resident:

I think that we need a resort like that. It will help the area flourish. The natural conditions are excellent, but the changes that will come with the development of this project will undoubtedly play as positive a role as possible. Young people will gain new jobs and stay here and people from Russia will be able to come and see how beautiful the region is.

A. Kanevich:

There really is a lot to see here and this is not our first day. I would like to ask the young people, are you prepared to stay here and work?

A. Pokusova:

Hello, my name is Anna Pokusova. We are from the Apsheronky Agricultural College. We are students specializing in tourism. We really like the region and would to stay and work here, so we hope that the tourism industry will grow in our region.

A. Kanevich:

Of course, when we discuss change, a psychological question immediately arises.

M. Simonyan:

Alexander, we are already behind schedule, but you have given us a wonderful sense of what is going on there and that all these discussions that there will soon

be a garden city in the North Caucasus are not just our words, but the truth, for we have seen these people. Thank you and thanks to the local residents, businessmen and young people for coming to talk with us. Best of luck and every success.

A. Kanevich:

Come and visit!

M. Simonyan:

We will come! I go often myself. I think that many of those sat here will also come.

Are we crossing to Dagestan? We are. But the reception in Dagestan is bad. Let us go there now. Hello. It is a great pleasure to welcome you all. Our correspondent Anton Voytsekhovsky is there on the ground. Anton, tell us who you have with you so that we can stay on schedule, otherwise we will be late for an important plenary session. Thank you.

A. Voytsekhovsky:

Hello Margarita. Hello St. Petersburg. We are in an extremely picturesque location in the foothills of the mountains in the Karabudakhkensky District of Dagestan. The weather is wonderful today and about 200 metres from us lie the shores of the Caspian Sea. Alongside me are local residents, who are interested and concerned by the future development of the district, the region and the Territory and of course by the Northern Caucasus Resorts project and the idea of including the Caspian cluster in it. So let us begin with a question to a representative of the older generation. This is a key issue for the area. How is the security situation in the region and in the republic as a whole?

Local resident:

As an agricultural producer, I think that investment into our republic will be of great benefit, creating new jobs and giving people work and an income. The young will be in work and will have no time for extremism and terrorism. This will have a positive impact upon the situation in the Republic and probably throughout Russia. Young people will be busy with their jobs and will not be distracted by various unnecessary things, and they will help in the fight against extremism and terrorism.

A. Voytsekhovsky:

I would add that the idea of including the Caspian cluster in the Northern Caucasus Resorts project has been warmly supported by representatives of the tourism industry. This is to be expected and gives rise to another equally natural question: strictly speaking, what does this business have to offer? What is the region's potential?

Local resident:

As you said, the idea of including the Caspian tourist cluster in the Northern Caucasus Resorts projects is very timely. Look at the seaside here with its wonderful natural lagoons and bright sandy beaches. The valley here has transport access, a railway and an airport and a federal highway are to be found nearby. Also accessible, both in terms of time and geography, is the Greater Caucasus Mountain Range, with its beauty and many wonders. Naturally enough, what is lacking is infrastructure. For me, the very creation of this cluster and of the Northern Caucasus Resorts project generates even more promise in the chance to develop modern, high-quality infrastructure, conforming to

international standards, if this goes ahead and the idea works. In addition, we can say that this will undoubtedly have an impact on the economy and job market, and will bring social benefits. There are a lot of positives here, and we will hope that all these projects will be realized and we will do our utmost to turn the potential into reality.

M. Simonyan:

Anton, we only have time for one more comment.

A. Voytsekhovsky:

The last question is for a representative of the younger generation and of Dagestan's student community, the very people who will have to fulfil all this in the future. How do they see the future? What are their hopes?

S. Kaziev:

Hello, my name is Sado Kaziev. As a member of the student body of Dagestan. I can say that tomorrow we are graduating and naturally, it is important for every young Dagestani to find their vocation and get a job in their native republic. The growth of tourism is a strong catalyst for self-determination and the understanding amongst young people that they are the future of the region. We will work in this area and will be delighted to share our considerable potential with you. Come visit us.

M. Simonyan:

Thank you. If you could have seen how proudly the President of Dagestan was looking at you the whole time you were on the line! Thank you for being with us. For the whole of our discussion, as I have already mentioned, the heads of

several North Caucasus Republics have been here. These are people with genuinely heroic biographies, about each of whom more than one book could be written. Of course, we could not go without asking the President of Dagestan, the Republic we just saw, a question: what is the situation like, what are your thoughts, and when will people who go there feel safe? Just a few words. Thank you.

M. Magomedov:

Yunus-bek Yevkurov has a heroic life story and is a genuine Russian hero, but we are typical leaders, fulfilling our conventional duties. But the theme is of great importance for us: the creation of this cluster and the decision by the government to establish Northern Caucasus Resorts is one of the main priorities of our work. You have just seen some residents of Dagestan. They truly want and expect these serious large-scale projects. It must however be said that the development of our region is not limited to this one project alone. There is an extensive state programme for the development of the North Caucasus, which is being conducted under the leadership of Alexander Khloponin. It will be sanctioned by the government and President of Russia. The implementation of this programme, in addition to that of serious large-scale projects will be, in my view, able to provide what everyone is continually discussing today: regional stability and security. For the main cause of the problems that the region faces is its inadequate economic development and the remaining social issues, as well as the lack of a positive social outlook. Such projects give the region the chance for a new lease of life and for rapid economic growth. Meanwhile, we will be able to break the vicious circle mentioned by Igor Ivanov.

There is no need to be afraid: we need simultaneously to develop these projects and to solve the problems of security and stability. This requires input from the

law enforcement authorities and from us, the leaders of the regions and of municipalities. I believe that together this will guarantee that in the near future we will have stability and economic growth. I really liked the idea that Mr Schuessel shared with us that we actively need to integrate the local community in the process. The most successful regions and villages have been those where the population is both participating in the process and shareholders of the companies. In my view, if we can integrate the local community in this way, it will be the main guarantee of security for all the ensuing activity. This is a key point. There is, of course, the rest: our unique natural surroundings and supreme recreational potential.

I am proud of the potential of the Republic of Dagestan. Besides skiing, we also have the resources to develop beach tourism and health spas. We have a large number of medicinal mineral springs, over 200, and this allows us to state that our tourist season will run all year, and so both efficient and profitable for those who want to invest in the development of the tourism cluster in the Republic. We have an extremely rich history, cultural heritage and architecture, with 6,000 historical monuments to be found in Dagestan. Derbent has already been mentioned today. The town is a UNESCO World Heritage Site, and is undoubtedly the oldest town in Russia and one of the oldest in the world. The town has a unique fortress: the Narin-Kala citadel. These are the most striking examples, but there are hundreds of other monuments that are of interest for any visitor. We have very well developed local crafts. Items made by Dagestani craftsmen, representing the Kubachi, Muntsukul, Balkhari and Tabasaran peoples are known all over the world.

All this enables us to remain optimistic about the future of the tourist cluster and of the Republic as a whole. We are going to all the necessary lengths and have passed the required legislation as a Republic, signing an agreement with the

Northern Caucasus Resorts corporation and another with the Ministry for Economic Development, as well as doing the same at a municipal level. There is no doubt that everything required from the regional and municipal authorities has been done. It is now up to the investors. We would like to invite you to Dagestan.

M. Simonyan:

Although it is not the done thing for a woman in Dagestan, I have to interrupt you because we are behind schedule. Thank you very much. We have another guest with us today, Prince Faisal bin Al-Hussein. He is a member of the Jordanian Royal Family and has organized a movement that uses sport as a means of fighting poverty in many countries. Hello and thank you for joining us. I have a question: will your compatriots come here on holiday to ski?

Prince F. bin Al-Hussein:

Thank you very much, Presidents of the North Caucasus Region, distinguished panellists.

With all the development and all the potential there is, I think Jordanians would probably greatly enjoy the opportunity to come, to visit the region. But let me start by saying that I am convinced the North Caucasus is a region with tremendous potential and incredible investment opportunities. If executed well, they will not only provide a generous return on investment, but will also serve as an engine of change, transforming the lives and futures of whole communities.

We have already heard of the risks, both real and perceived, particularly on the security side, and how these risks can be reduced and managed, and perceptions changed. I really want to focus on this aspect of the risks and perceptions and,

from my work and experience, offer some examples on how sports can play a role in addressing these.

In Jordan, we would be lucky to experience the benefits that successful hosting of world-class international sports events has to offer. Not just international recognition for the country, but also investment in local capacity. With less than a thousand days to the Sochi 2014 Games, it is already impacting the whole region. It is providing the focus for major investments in infrastructure, as Mr. Thomas said, and is a key element for any post-games development.

Investments in infrastructure, such as the mountain ski clusters Mr. Bilalov describes, are the springboard for a legacy of sports tourism which, if positioned and marketed well, can provide sustainable jobs and contribute to the economic development of the region. With the increased mobility of young people in particular, there is a growing market for visitors from around the world to enjoy the ski slopes, the spas, the summer resorts of the Caucasus.

And if the level of local capacity and partnerships built for the Olympic Games are maintained in the period following them, then the region will be well-placed to exploit these growing opportunities. But investment in physical infrastructure and economic projects must be supported with deliberately planned investment in social capital. Social capital is vital to protect the expected returns on investments and to allow the social benefits to emerge and be shared and sustained by local communities.

In sports, this, at the grassroots level, with educational elements, again, has a role to play. Generations for Peace, the organization I founded in 2007, has been helping define that role in its work around the world. The peace-building legacy of my late father, King Hussein, and the commitment of my brother, His Majesty King Abdullah II, inspired me in the role, as President of the Jordan Olympic

Committee, to establish Generations for Peace, which works internationally, using sports for peace and development.

Growing fast, we have trained more than 4,200 leaders of youth in 46 countries and territories in the Middle East, Africa, Asia, and Europe on how to use the power of sports, non-competitive sports, as a tool for conflict transformation. The peace-building activities of these young change-makers have reached more than 62,000 children so far, with activities also starting in Dagestan, Kabardino-Balkaria—I am sorry if I pronounced that incorrectly—and Chechnya.

And so, we have gone along, we have learned a lot of what works and what does not. From our experience, we know that the context is very different from case to case, and that sports-based interventions cannot be copied and pasted from one to the other, but have to be tailored to suit the local context.

We know that sports alone cannot resolve security risks or conflicts. But it does have an important and cost-effective contribution to make. Creating social capital requires a careful strategy, not of assimilation, but of social integration that protects, respects, and embraces diversity.

Participation in grassroots sports—if it is regular, if it is properly managed, and if, most importantly, it includes additional educational elements—can provide individuals of diverse backgrounds, (especially youth) a safe space to help build their self-esteem, learn leadership skills, and have the opportunity to interact and engage with one another.

This helps instil tolerance and respect in these future leaders. They begin to reassess their perspectives of 'them' and 'us' and shape new perspectives based on a shared identity. All of these create an understanding of diversity as strength.

Allow me, therefore, to suggest the grassroots sports development programmes of this sort have a role to play in the social policy and implementation. In parallel...

M. Simonyan:

Your Highness, I am sorry to say, we only have two minutes left, please. Thank you so much. I am sorry.

Prince F. bin Al-Hussein:

I have only got 30 seconds left.

M. Simonyan:

Okay, great.

Prince F. bin Al-Hussein:

The major investments in infrastructures and significant capacity build-up in the public-private partnership provide an excellent opportunity to introduce these types of programmes across the region. At the same time, the social capital generated by these programmes, in turn, helps protect the investments sustain their capacity.

So I think that unlocking the potential of a region such as the North Caucasus is about unlocking the bounty of these unique resources in a sustainable manner. But it is also about embracing diversity—particularly in a region of 42 peoples speaking a hundred dialects—to build social capital that supports expected returns and investments.

Thank you very much.

M. Simonyan:

Thank you for your kind words and what you are doing. Alexander, you have two more minutes. Have your hopes for the future of the Caucasus been bolstered?

A. Khloponin:

If I am honest, you have interrupted the Prince, and I am beginning to doubt if, from an investment perspective, this is the right strategy. I am ready to give these two minutes up for the dialogue to continue.

M. Simonyan:

Alexander, I have extremely strict producers and your aides are telling me in my ear to wrap up.

A. Khloponin:

Dear friends, I can only conclude by thanking everyone for coming here to take part in this discussion. Obviously I am not going to tell you to relax and take it easy as, in the atmosphere of today's discussion, it all seems so simple and easily resolvable. We all know that to solve the problem before us we need to carry out delicate professional work, virtually by hand. We truly do have something to gain from our colleagues, we need to build on Russian legislation practically step by step and pass governmental acts and white papers. The steps that we take today are practically down to the enthusiasm of the people who live and work in the Caucasus and of my colleagues working for Northern Caucasus Resorts. The only thing I can say is that Russia is our country, and we love her and will do everything for her to flourish and be a beautiful, stable, peaceful and hospitable country for people from all over the world. So my sincere thanks to

everyone for taking part. I believe that in a year's time we will accomplish the next stage of the development of our projects. Thank you very much.

M. Simonyan:

Thank you. I have wonderful news—at least I hope that it is—for all attendees. On your way out, you will all be given special guest passes for the future resorts and ski passes. Thank you.