

**CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE BRIEFING**

GUEST: MIKHAIL KHODORKOVSKY, CEO, YUKOS OIL COMPANY

SUBJECT: "CIVIL SOCIETY AND THE ROLE OF BUSINESS"

MODERATOR: JESSICA MATHEWS

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MS. MATHEWS: (In progress) -- raised productivity, lowered production costs by two thirds, introduced western standards of corporate transparency, and as a result of all that, and more, is today being courted by Exxon-Mobil, Chevron-Texaco, avidly. At the same time, as everybody I think also does know, since last July, he has been in, one might say a "cold war" with President Putin, has had colleagues, business colleagues imprisoned, offices raided, including many philanthropies that he has founded and supported. And there are, I think, as many theories as to why and what's going on as maybe there are people in this room, and perhaps we'll get the scoop today on just what's going on.

So, we have a great deal to hear about. It is truly a very great privilege for us to host him here at Carnegie, and hope we will be able to welcome him back many times in the future, and we welcome all of you as well. (Applause.)

MR. KHODORKOVSKY: (Note: Remarks are through translator.) Thank you, ladies and gentlemen, for giving me this opportunity to speak before you today. Today, unlike my usual talk, here I am going to talk about the relationship between business and society. I'll say right off the bat that this is a topic that I often speak about in Russia. But

usually when I'm abroad, my petroleum component seems to be of more interest. Today, I've been given a chance to speak to you about my social component, and it will give me great pleasure to do so.

Russia, having been -- having received an investment grade rating is a very positive thing for our country, and we definitely deserve it, because the whole question of risks to private property ownership in Russia is something that has been dealt with and completely solved in Russia several years ago. And today, the number one question on the agenda for Russian society is an entirely different question. And the question is that of building a civil society in the country.

I know that in Western countries big business is not what you think of immediately when you think of what the best friends of civil society are. But it took society a long time to get to that point. In Russia, business is one of the primary conducts of the very idea of a civil society. Let me explain why.

Because big business was among the first in Russia to run up against the need to participate in global processes. We need integration with international companies, with the international business community. In order for this integration to be successful, we need to have comparable conditions in our respective societies -- an independent judiciary. This is the rule. This is the norm in Western society. It's something that is absolutely imperative for normal big business. Five, ten years ago, when our business wasn't trying to integrate, when we weren't transparent, an independent judiciary was not something that was all that important for us. We dealt with our problems in other ways. But then we discovered that if you want to make your company transparent, you need to have the infrastructure, external infrastructure. And the first building block of that is an independent judiciary.

Questions of corruption -- it's not easy to reconcile yourself to corruption when your company is being audited by independent auditors, when your CFO, your controller, indeed, a large part of your management team are foreigners, for whom corruption is not a light issue to be dismissed easily when all your accounts are completely transparent. So when corruption for you becomes something problematic, you don't want others to have advantages because they can participate in corruption -- and so on, and so forth.

And what's the result? It's clear you find yourself with facing a conflict. When, on the one hand you have big business that has moved forward towards the global society, comes up against the bureaucracy, a specific or -- yes, specifically the law enforcement bureaucracy, for whom the previous rules of the game were preferable. This is not to say that other parts of society haven't come across this conflict either. But in order to enter into the conflict, you have to feel yourself sufficiently independent. And here, there aren't all that many that can feel themselves sufficiently independent to do this.

In this conflict, each of the sides uses whatever it feels it has at its disposal. We feel ourselves better protected when we discuss these issues in public. We feel ourselves

more protected when these issues are discussed in open trial courtrooms. And perhaps the court may not be all that independent, but independent experts that are allowed to sit in on these sessions have an opportunity to express their opinions.

The other side uses what it has at its disposal. My partner, Mr. Lebedev, has been in jail for the past three months. This, despite the fact that all of the reasons that the prosecutor gave for why he should not be granted bail have all proven themselves to be false. An employee of mine, Mr. Pechugan (sp), has been in jail for even more than three months, and we still don't know what evidence the -- (inaudible) -- has given of his guilt, because there have been five court hearings so far, preliminary hearings on the Lebedev and Pechugan (sp) cases, and each one of the five has been a closed session, while the defense lawyers have been forced to sign confidentiality agreements, gag orders. So, we don't know what evidence the prosecutor has, nor do we know even whether the prosecutor has any evidence.

Today, the defense lawyer who defends Mr. Lebedev in court had his offices searched in a brutish fashion. The lawyers told me by telephone today in fact that there were no court orders allowing the searches to begin with. Furthermore, the lawyers were not allowed to be present during the searches. Now, all of this is against U.S. law, but it's also against Russian law.

We are very worried that the evidence that is going to be presented in the cases will have been fabricated, because the measures that the prosecutor is taking right now -- for example, conducting searches in a children's boarding school -- it's subsidized by our company -- searches in the homes of people who have been locked up for the past three months. All of this tells us that the prosecutor doesn't have any case materials, and yet they promised the president that they would have some -- at least as, from what we can gather, from what Mr. President said in his public speeches on the subject.

Put all that together and you have quite a dangerous situation. You may ask yourself "Why is it that Yukos finds itself at the center of this conflict?" There can be any number of explanations. There is no doubt that Yukos is something of an example for many Russian companies. Yukos is an example of openness. Yukos is an example of a Western oriented company. And yes, Yukos' shareholders are an example of independent behavior, independent of the bureaucracy, independent opinion, and of the actions that are being taken against Yukos are also an example.

And I hope that our behavior in response to all of this also serves as an example -- an example of that fact that in our society today, despite all the obstacles, you can effectively resist the law enforcement bureaucracy.

You have no doubt often heard that one of the reasons for all this happening in the first place may have been political activism. I propose to you that you view this subject in two separate parts. The first part is lobbying activity by Yukos as a corporation. Indeed, we, along with our business colleagues, together defend our interests before the parliament. We do this in public, we do this openly, and we feel this is a perfectly

normal thing to do. And our activism in this area is still a far cry from what American corporations do with the Congress. We present our point of view, other sides present their point of view, and it's up to the parliament to decide. And I think this is exactly the way that issues of this sort should be decided in a civilized society.

But, the company does not take part in political battles. We don't, as a company, support individual deputies in the parliament. We don't support political parties. As a company, we don't take any part in any election, and this is natural. At the same time, neither the shareholders of the company or I personally have never renounced our civil rights as citizens. And we do not demand that our employees renounce their rights as citizens. Some of our employees support some political parties, other support other political parties. Some of our shareholders support -- some of our shareholders are standing as candidates with the United Russia Party -- that's the pro-government party. Others of our shareholders are standing as candidates for the Communist Party. And it's entirely possible that together with the Communists they may vote for nationalization. But until the point that they make that decision, we're going to pay dividends to them. (Laughter.) And that's normal.

So what is Yukos and what are the shareholders doing to create this civil society, the need for which I discussed earlier? We feel that the most important thing for them to be a civil society created in Russia is education. By education, we mean teaching people what their rights are, giving people the opportunity to feel themselves a part of the global world.

By -- when I say "we," by which I mean Yukos as a company and its shareholders, have created an organization called -- (inaudible Russian name) -- which translates as "Open Russia." This is an organization whose professional activity is philanthropy. Their philanthropic projects budget exceeds \$100 million a year. We are teaching tens of thousands of high school teachers how to use the Internet as an educational tool in their work. This is something we have been doing for several years already. Every year, tens of thousands of teachers go through this training. We found a program by the name of "New Civilization." This is a program where school children take part in role-playing games to teach them how modern day society functions.

One of our most recent programs is providing funding for the Russian State Humanities University. This is a hotbed of democratic thought in our country. This year, we created several regional branches of the School of Public Policy that was founded ten years by Yilyena Nimirobska (sp) and she's been running this school in Moscow with help from the European Union over the past decade.

And the list goes on and on. In other words, we just don't talk about civil society. We're doing all we can to help it along. Maybe what we're doing is not all that much, but we're trying.

Forecasts for further development. Russia has made its choice in the question between private ownership and state ownership of property, and the choice was private

property. This choice has already been made, and nobody's questioning this choice. The question right now is a much more difficult choice. Are we going to become a democratic Russia for the first time in our thousand year history, or are we going to continue along our thousand year old path of authoritarianism? This is not a simple choice. But modern civilization gives Russia no hope of becoming a modern society in the economic sense without becoming the same in the democratic sense.

Thank you. (Applause.)

MS. MATHEWS: Let me ask you, in asking questions, to wait for a microphone. And as a courtesy to everyone, to please identify yourself, your name and your affiliation. The floor is open.

Q I am Roger Pajak, formerly with the U.S. Treasury Department. (Speaks Russian.) Mr. Khodorkovsky, I'd like to ask you a general question. Some commentators have characterized the present political system in Russia as managed democracy. Others have used other terms. I'd like to ask you, how would you characterize the current state of your government, the current state of political conditions in your country.

MR. KHODORKOVSKY: There is no doubt in my mind that what we have in our country today could not, in the Western sense of the term, be called a developed democracy. And there's also no doubt that society is right now faced with the choice -- whether now are we going to move in the direction of a normal democracy or a managed democracy. It's simpler to call that plain authoritarianism.

MS. MATHEWS: (Inaudible) -- in front of you.

Q (In Russian) -- with Moscow Times.

MS. MATHEWS: Can you just let him translate?

TRANSLATOR: Let me translate the first question. From the Moscow Times here. There are two other people who have been involved in this so-called "cold war" with the authorities -- Gusinsky and Berezovsky. Do you maintain contact with them? Is there any cooperation between you and them?

Q And a follow-up question in English -- (laughter) --

TRANSLATOR: You didn't like my translation? (Laughter.)

Q It's been reported that you've had some contacts with the White House, the Bush White House over the years, including a dinner with Condoleezza Rice. I was wondering if you could confirm that and talk a little bit about what your relationships are with them these days? And if you'd also name the members of your -- and you mentioned some people from your company who are -- (word in Russian.)

MR. KHODORKOVSKY: (In Russian.) (Laughter.)

Q Okay, I'll leave it at that. (Laughter.)

MR. KHODORKOVSKY: First of all, I do not consider that I am in a cold war with the Kremlin. I don't want to name names, and I won't name names right now, but there's no doubt that the majority of the president's administration has democratic views about the development of the country. There's also no doubt that the prime minister has gone on the record about our situation, also from a very democratic standpoint. On the other hand, there are those people who take the opposite position. I am probably more of a pure businessman than my colleagues Gusinsky and Berezovsky were, though I see my job as doing my business, trying to help promote the development of civil society as I see it, and to use lawful methods to protect myself from the unlawful actions of the law enforcement agencies.

As concerns my contacts with the White House, the American White House -- (laughter) -- I am glad to brief members of the U.S. government on those issues which interest them. Of course, the questions that interest them more are questions relating with my business. I don't have any secret, behind-the-scenes meetings with members of the U.S. government that aren't broadly known to the U.S. press. My one and only meeting with Condoleezza Rice was at a very large dinner event given by the Library of Congress.

MS. MATHEWS: In the back, please.

Q Mark Pomar from IREX. According to press reports, you are a very strong proponent of international exchanges, and have been quoted as supporting up to 50,000 exchanges from Russia to America. Could you comment on the importance of exchanges and to what extent is Open Russia committed to supporting them?

TRANSLATOR: What was the last part of the question? I missed it?

MS. MATHEWS: To what extent --

TRANSLATOR: The role of Open Russia -- sorry about that.

MR. KHODORKOVSKY: We do indeed believe that people-to-people contacts are an important element in strengthening the relations between countries. Furthermore, we feel that opportunities for our country's young people to interact with their contemporaries in other countries gives them an opportunity to -- gives them an opportunity to experience civil society first hand. We're still far from 50,000. Senator Bradley's program had indeed covered 50,000, but we are only a small part of his big program.

MS. MATHEWS: Yes, right here.

Q Joanne Arnet (sp), PFC Energy. I was just curious, the picture you paint about the political environment in Russia makes it seem like it would be very difficult for U.S. companies looking to invest, particularly in the energy sector. And given what you've said about the problems that your company faces, how do you view then the risks that a foreign company would face investing in Russia? And secondly, do you have political ambitions for the presidency of your own? (Laughter.)

MR. KHODORKOVSKY: Tell me, please, do you think that American oil companies produce the bulk of their oil in countries that would be called democratic? (Laughter.) Unfortunately, good business environment and democratic society are two separate issues. In the long run, these two issues do intersect, but that's already at the second stage. Large companies -- American ones, European ones -- can protect their interests at the level of intergovernmental discussions. In exactly the same way, nobody wants to violate the interests of investors. And in this regard, Russia's investment grade rating is well deserved. At the same time, though, movement towards the creation of a democratic society provides an environment where there's business opportunities for medium sized and small sized businesses as well, Russian and foreign. But at the beginning, it's always the big companies. That's the stage we're at right now.

And now about my political ambitions. Nobody in Russia asks this question seriously at all. (Laughter.) When they do surveys, 70 percent of the population doesn't like Russian oligarchy, and another 20 percent more dislike than like. (Laughter.)

MS. MATHEWS: But maybe you would like to run for governor of California. (Laughter.) In the back. The gentleman standing, and then we'll take you next.

Q Jim Mapstafio (sp) with Bloomberg News, and I have a business question. There's a lot of concern here about the impact of energy prices on the economic recovery. Last month, OPEC announced that it would cut production for the winter by 900,000 barrels a day. They've also asked Russia and other non-OPEC producers to join in, restrain supplies, and to try to defend prices. Do you agree that Russia should cooperate with OPEC, should reduce supplies to defend prices? And is there a particular, you know, price level where you think that should work if you do agree?

MR. KHODORKOVSKY: I'm all for high oil prices. (Laughter.) Excuse me. (Laughter.) But I feel that for Russia to consciously decide to reduce production, or more precisely to reduce exports, doesn't make sense, because the market we're in is a competitive market, and the place that we move out from is very quickly filled in by our colleagues from the Caspian region.

There is another problem. Russian production is very dependent on transportation. Right now, we're not able to keep up with building enough pipeline capacity. And part of the oil -- the crude we produce, we need to ship by rail, and that's very expensive. If oil prices drop, it's possible that Russia will reduce production out of purely economic considerations.

MS. MATHEWS: Yes.

Q (Question in Russian.)

MS. MATHEWS: Can you let the translator --

TRANSLATOR: The first question was, indeed, surveys show that 70 percent of Russians don't like oligarchies, and another survey showed that 60 percent of Russians, having heard about all this Yukos case, how does that affect you and the company? And the second question was you were recently quoted in the press as saying you will not become a political immigrant, and could you comment on that?

MR. KHODORKOVSKY: As always, sociological surveys have two sides. When I found out from that same survey that 40 percent of my fellow citizens are keeping track of what's going on with Yukos and know about my company, that was very significant for me, and I felt a much greater sense of responsibility from find that out, because that means to me that 40 percent of our citizens are looking to see how our company is going to handle this and survive this. And they're going to decide, based on what they see, whether or not in today's Russian society a person can resist unlawful law enforcement actions lawfully or not. And for me, that is important.

As far as the political immigrant question goes, for me it's obvious. Those searches that took place last week, when they searched a school, when they searched a restaurant, when they searched the home of my school chum -- as far as investigation, the investigation itself went, -- (audio break) -- I may be wrong -- but -- so I came to the conclusion they're probably trying to tell me something. (Laughter.) Well, I thought that perhaps I understood their question correctly, and I gave my answer to that question. But maybe I didn't understand their question.

Q Steve Sestanovich with the Council on Foreign Relations. Could I ask you to clarify whether you regard what is happening as unfortunate, illegal law enforcement actions or as a fundamental, organized, high level attack on your independence and your property? And are you satisfied with the kind of support that you've gotten from other business leaders in Russia? Are you increasing your support for political parties and other candidates as a result of what is happening?

MR. KHODORKOVSKY: I continue to be convinced that this attack that's taking place today is the position of a group -- albeit an influential perhaps group of individual people. This group is associated with law enforcement. It has its own interests. It has its own views about how the country develops. I personally think that their views are mistaken. But this is a subject for discussion. The methods they are using, however, are something for the courts.

As concerns the position of the business community, they are observing. I can't say that I am thrilled to be in the position that I found myself in. Given my druthers, I'd probably choose another position to be in. (Laughter.) On the other hand, though, I am



pleased that the testing of forces has occurred with a company such as ours. I mean, I knew that we operate well. I knew that we do our job well, but when over a period of three months dozens, if not hundreds of investigators legally pored through our books, and subsequently semi-legally continued to pore through our books, and have not been able to dig up anything that they can show as evidence to an open court -- when they are reduced to using those methods that they are using, I've got to say I'm proud of how well we work.

MS. MATHEWS: I'm going to take one more here and then we'll change sides.

Q -- Eurasia Foundation. Talking about civil society, what would be your next steps and best allies in the regard to civil society in Russia? And what can the U.S., Europe, and America -- foundations, corporations and governments --

MR. KHODORKOVSKY: Right now we have five serious educational projects that we are working on. I had mentioned them earlier. And we need to deploy them throughout the country. We have the experience of the Federation of Internet Education - - something we've been working on for the past five years already. And the experience of that Federation shows that this takes a great deal of work. What we are lacking is people able to do this work. When we started our work with the Federation of Internet Education, we used the experience that George Soros gave the country. We used the people that had gained the experience working on his projects. And we'd be much obliged if foreign foundations would help us with their experience in carrying out similar projects. If we talk about the Eurasia Foundation, for example, your experience has been very helpful in our work with small business.

MS. MATHEWS: First here, then over here.

Q Dan Yergin. Jessica in her opening remarks noted that the Moody's upgraded the Russian economy, and behind or part of the astonishing performance of the Russian stock market has been the much greater confidence on the part of Western investors, the reason for which is improved corporate governance. You've been the pioneer and the role model. Maybe you'd share a little bit with this audience your own experience in terms of introducing corporate governance, how you see it working in Russia today, and what kind of report card you would give on corporate governance.

MR. KHODORKOVSKY: Large Russian companies, export-oriented Russian companies are striving to adhere to corporate governance principles of the European model. The American model isn't a good fit with our legislation as of today. You end up with a lot of legal conflicts. Right now the government, and in particular the Federal Securities Agency, are trying to iron out some of these conflicts, but we are still a long ways away from having them fully ironed out.

As far the European model goes, probably 60, 70 percent of big business would get good marks for adhering to that. No? Sorry, wrong -- okay, the Russian big businesses are probably 60 to 70 percent in compliance with the European benchmarks.

But we are moving along. As concerns medium-sized businesses, it's only just on its way towards compliance with this model. And I expect to see some big changes in that sphere in the next couple of years.

Q Thank you. Paul Joyal, Intercon International. I'm interested in your views concerning oil production in Iraq. There appears to be an understanding that production will not reach the goals that were previously viewed as necessary for some of the reconstruction activities. And I'm wondering if your company plans to engage in any forays into Iraq in the oil business there.

MR. KHODORKOVSKY: If they announce tenders in Iraq, we will certainly explore the possibility of participating. Iraq is one of the better oil provinces in the world, and naturally everybody is interested. We're going to try to be there before some others will be there, but that's competition -- what happens, happens.

MS. MATHEWS: Charles Gati here -- Ann, right here.

Q Charles Gati, Johns Hopkins University. To what extent do you think anti-Semitism is a factor in all these efforts to make your life miserable?

MR. KHODORKOVSKY: I don't regard anti-Semitism as a big problem in Russia today.

MS. MATHEWS: In the back, maybe Marita or --

Q Bruce Parrott, Johns Hopkins University. In your statement you emphasize the importance of the relationship between big business and civil society, and you have given some striking examples of Yukos's attempts to promote the development of civil society. Can you cite any examples of similar attempts by other major companies in Russia, or is Yukos an exception to prevailing trends?

MR. KHODORKOVSKY: Oh, we're the best of course. (Laughter.) But there are colleagues of ours out there who are also doing something. Seriously speaking, it's quite noticeable of the movement of Russian big business in this direction. The efforts of Interros, for example, are quite well known. That's Potanin's group. We created an Internet center in Tumen together with the Tumen Oil Company. A Russian aluminum company provides a great deal of support to young Russian scientists. And it goes on.

You should not underestimate the social activism of Russian companies for historical reasons. Their social activism has been historically higher than that of American companies. This is a fact. I want to remind you that it was only 1992 that we started the process of stopping financing entire Russian cities. All Russian cities were on our balance sheets, on our books. Day care centers, schools, they were all on our books - - medical institutions, and it goes on. To this very day in most of the cities and regions where we have big business operations, we continue to finance the bulk of their health care systems through charity. To this very day, if there is a fire someplace, they call out

our fire squad. To this day, in Primorsky Krai, the public heating system, the big heating pipe, burst in the city -- it was a mere two years ago -- our repair crews flew out there by plane, and our repair crews repaired the heating pipes. That's not great, but that's the way it is.

MS. MATHEWS: Okay, we'll take one more here and then we'll move to the other side.

Q Fiona Hill from the Brookings Institution. Your comments on the work of Yukos stand in rather sharp contrast today to your colleague Roman Abramovich. Instead of still supporting the population of Chukotka in the same terms that you've described, he's now supporting Chelsea football teams in London. This is very popular in England, but it might not be so popular in Russia, given the attitudes towards oligarchs that you have outlined. He's now divesting himself of some of his shares of Sibneft and many of what people considered to be Russia's strategic assets. Do you think his foray into international soccer and his purchase of Chelsea might have some backlash eventually and perhaps raise questions in Russia about your own -- I'm not suggesting that perhaps you want to buy Manchester United -- (laughter) -- but perhaps about the future of your own investments?

MR. KHODORKOVSKY: Russian society is going to have to get used to the fact that people can do whatever they feel like doing with their money. I mean, there may be this tendency to always tell your neighbor what he should do with his wallet, but they're going to have to get used to this -- you can't do that. Roman Abramovich has invested hundreds of millions of dollars into Chukotka -- of his personal money. And he spent a great deal of his time there, and a great deal of time of his personal team. I couldn't afford that. And the fact that he bought Chelsea, I can't judge him. And as to the fact that this was so aggressively received in Russian society, when fifteen years ago our first cooperator Mr. Terrazov (sp), paid himself a salary -- I'm going to try to convert it.

Paid himself a pay-out of what would now be \$300,000. Soviet society practically climbed the walls when they heard that. Today the translator wants to know whether it was per year or per month. Because both are possible. A mere fifteen years have passed.

MS. MATHEWS: We'll come back in a minute. Right here.

Q Wayne Merry from the American Foreign Policy Council. Would you give us your views of the prospects of two pipeline projects, from western Siberia to Murmansk, which you spoke about last time you were here at Carnegie, and from eastern Siberia either to Nakhodka or to China, or perhaps both?

MR. KHODORKOVSKY: These two pipelines each have a different significance for Russia. The Murmansk pipeline is of significance for the western Siberian region, and it has strategic significance. The eastward pipeline is of significance only for eastern Siberia. Given that this is still an undeveloped region, it does not have strategic

significance today. But it is strategically significant for tomorrow. I feel that in order to provide for strategic significance of today's oil provinces in Russia and to set the right foundation for tomorrow, we need to build both pipeline projects.

Q (Off mike)

MR. KHODORKOVSKY: Transneft is the state-owned operator. Transneft does not have an opinion of its own. I think individuals work in Transneft have personal opinions, but the decisions are made by the government. And whatever the decision makes, both Transneft and Yukos will abide by it, although we're certainly going to grumble. (Laughter.)

MS. MATHEWS: In the back. There's two questions right next to each other. We'll take them both.

Q Martin Hutchinson, United Press International. You're a chairman and a substantial shareholder in an extremely successful company. I can't understand from a business point of view why you would want to sell out forty percent of the company to a foreign oil company, which is no doubt much more bureaucratic than yourself. Is there a business rationale for this, or is it largely political protection cover, that kind of thing?

MR. KHODORKOVSKY: I would like to bring your attention to the fact that our president did not say that Yukos had asked his permission to sell itself. He said that Exxon had asked for permission to buy. If you have a chance to meet with our president, you too can ask him for permission to buy.

Q Yeli Yeliseyev from Morgan Stanley. You mentioned that you consider the decision by the Moody's rating agency to raise Russia's investment rating, the debt credit rating, through investment grade is fully justified. At the same time we could spend a lot of time talking about the political risks and the struggle between the democratic and the authoritarian forces. And it's, I think, quite clear that a negative outcome in that struggle could seriously undermine investor confidence. Notwithstanding all the improvements in the business climate and corporate governance and so forth. How do you reconcile those two sides?

MR. KHODORKOVSKY: Perhaps someday, investors will be so ethically oriented that they will invest only in those points on the globe where democratic processes are in full swing. Today however, they invest wherever the money is. As far as business goes, Russia is a great place. I as a Russian citizen would also like it to be a great place to live. But that is not what's reflected in the investment rating.

Q My name is Lewis Madanick. I'm from the Open World Leadership Center at the Library of Congress. In the West here, we hear such great things about the reform of the judicial system, the new criminal code, the new administrative code, the new bankruptcy code, the independence of the judiciary since 1993, and adversary processing courts. Is your concern mostly with the law enforcement agencies and the procuracy or

with the new independent judiciary? How is the new judges? Are you seeing and development of the independence of the judiciary?

MR. KHODORKOVSKY: Okay. I'm going to make you laugh. The prosecutor in our country is considered to be part of the court system. That's what the constitution says. I was surprised myself. It's been a long time since I've honed my legal skills, and I was surprised to learn that. The problem is of course with the court system. The prosecutor, without saying of course. We believe that it's impossible to build a truly independent judiciary system without having a civil society in place. But you can take steps in this direction. I'll be afraid to say something heretical here, but I have spoken with some distinguished jurists in our country, and they've all been in agreement about this. The choice in Russia today is between a corrupt court system and an un-independent court system. And where the jurists all agree is that the risks involved with the corrupt system are lower because we know how to fight corruption. There are ways. I mean, they may not always work, but there are methods. But you can't fight it when the court system is not independent.

This has not become the unanimous position throughout all of our country at this point. But this is what's on the table for discussion right now.

MS. MATHEWS: I wonder if I might ask you one last question. Steven Sestanovich asked you about your feelings about your fellow businessmen in the struggle with the Kremlin. What about your feelings about comments from the United States, both from the government and from nongovernmental voices? Have you been satisfied, disappointed, or is this truly a domestic Russian issue in which foreign comments really play no role?

MR. KHODORKOVSKY: Of course, it's important for us to have understanding. I personally, my company, we have many friends, many partners here. Many of our investors are Americans. So, I can't say that I couldn't care less what they think. That's why I'm here. If however we speak of American influence on intra-Russian processes, I don't think I'll offend anyone here. But the answer is, none whatsoever. And that's the way it should be. America is a great country. But it'd be nice if we can solve our own problems by ourselves. Thanks.

MS. MATHEWS: I hope that -- I just want to say in closing that we very seldom have speakers who answer questions with as much candor and patience and humor as Mr. Khodorkovsky has this afternoon. I hope you will all join me in thanking him very much.

(Applause.)