

Great expectations

Having kicked off 2006 with a new investment strategy, Russia's Vnesheconombank is looking to increase its share in infrastructure and export-oriented projects.

Vladimir A. Dmitriev



Chairman, Vnesheconombank

With a growing international profile and increased confidence from the major ratings agencies, things look extremely positive for Vnesheconombank (VEB). From its solid economic base and wide expertise, the bank is ready to undertake large state investment projects and become a main provider of public-private partnerships over the course of this year. VEB's chairman Vladimir A. Dmitriev recalls the bank's recent successes and shares his optimism for the future.

What are your key investment proposals for 2006?

Last year, we executed the first deal under the state support program for industrial exports, by financing the delivery of 2 IL-96 airplanes to Cuba and we plan to deliver at least 3 more aircraft this year. We are part of a syndicate of Russian banks which finances the production of these aircraft.

The next stage will be to finance the supply of industrial equipment to CIS (Commonwealth of Independent States) countries such as Kazakhstan. We supply power equipment and equipment for alumina production.

Other areas of activity will focus on infrastructure projects, including the construction of a railroad to develop coal fields in Siberia; cooperation with the aviation sector to construct and modernize terminals 1, 2 and 3 of Moscow's Sheremetyevo Airport; support of the aircraft building industry and an increase in the potential of Volga-Dnepr Group—the world's leading oversize cargo carrier.

What is VEB's role in developing the Russian regions and are there any areas for international cooperation?

VEB acts as a financial consultant for the Krasnoyarsk Region Administration (KRA). We are currently engaged in helping set up a development corporation for the Nizhneye Priangarie region that is designed to ensure implementation of long-term investment projects in the Krasnoyarsk region, including public-private partnerships. An agreement was signed with the KRA by way of example. The Chinese partners have shown a clear interest in a project to construct cellulose paper plants near Bogushany.

On the subject of Chinese-Russian partnerships, what are the developments in the support program of Russian industrial exports to China?

The program is continuing to develop. Last summer, we attracted \$212 million in credit from the Development Bank of China to finance Russian industrial exports to China. We then obtained a further \$300 million for the same purpose.

The total credit obtained from China to finance Russian exports to the country is therefore over \$500 million. This program can be expanded still further and also shift to other areas of cooperation.

Please comment on the new development of international cooperation in the oil and gas industry in South East Asia.

During President Putin's recent visit to South Korea for the annual meeting of the leaders of Asian-Pacific economies, a cooperation agreement was signed between VEB, Gazprom and the National Oil and Gas Company of Thailand (PTT). This agreement allows VEB to participate in the development projects of interest to PTT and Gazprom in Thailand and other countries in the region. It brings a wide spectrum of potential for partnerships in related industries.

The economic interests of VEB and Russia itself are also becoming more diverse. Today, we are not only interested in America and Western Europe, but are looking more and more to the South-East Asia and Pacific region. Our interests stretch over China, South Korea and Malaysia. We have already signed an agreement with the Development Bank of Japan to open a credit line of \$50 million to VEB. We are not just looking at these countries from the perspective of traditional exports in the power and metallurgy sectors but also as countries that would be interested in Russia's high-tech production.

What is the current potential for foreign investments in CIS countries and how is VEB involved?

Let's take Kazakhstan and Ukraine as examples. By CIS standards, Kazakhstan is an industrially developed country. Historically, many production facilities were based on Russian technology and nowadays, production is being developed and modernized by attracting Russian capital and Russian machinery. Kazakhstan has the potential to attract investments to the different industrial sectors, not only in processing but also in high value-added industries.

Ukraine also has the potential to reinforce the integration process and the development of joint manufacturing. For example, the production of passenger aircraft A-148 by Ilyushin Finance Co, in which VEB is a shareholder, is deployed both in Russia and Ukraine.

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