

PRESIDENT VLADIMIR PUTIN: Good afternoon, ladies and gentlemen.

As has become tradition, I will begin our meeting today by summing up a few of last year's results. As I have said many times in the past, everything the government and the authorities in general do should pursue one main aim, that of raising the living standards and quality of life of our country's citizens. I will therefore begin by summing up the results achieved in the social sphere in 2006.

Wages rose by 13.3 percent on average, real incomes increased by ten percent from last year's base, and old-age pensions rose by 5.4 percent. We have a problem, of which our pensioners are well aware, in that the replacement coefficient in Russia is not very high – 27 percent. This is lower than in many European countries, but the retirement age is also higher in Europe. In Russia, the retirement age for women is 55, for men 60, and for many categories the retirement age is even younger. In Europe there is no difference between men and women and everyone retires at 60, or at 65, and in many countries there is even talk now of raising this retirement age. But we do have a problem, nevertheless, especially in the main sectors of our economy. Regarding the aviation sector, we have decided that employers in this sector now have the right to put more money into pension funds by counting them not as profits, but as cost value. This could be the path to follow in the main sectors of our economy, and the government, in any case, will have the opportunity to reflect on this matter.

We are starting to see the first results of implementing the national projects. Wages in the education sector rose by 30 percent on average, while wages in the healthcare sector rose by 37 percent, as compared to the planned increase of 15-17 percent. We are now seeing a new inflow of recent graduates, especially into primary healthcare, and there is increasing competition in medical schools for this area of specialisation. We are pleased to see that natural population decline has decreased by 17.3 percent. The mortality rate is falling and the birth rate has picked up slightly.

I very much hope that the measures adopted last year to address the demographic issue – the maternity capital and the whole package of measures to support women who decide to have a second child – will help to consolidate this emerging tendency.

We still have a great amount of work to do in social development, including resolving one of the biggest challenges we face in this area, namely, reducing the gap between high-income earners and people, citizens of our country, who are still living on very modest means indeed. But we cannot, of course, adopt the solution used 80 years ago and simply confiscate the riches of some to redistribute among others. We will use completely different means to resolve this problem, namely, we will ensure good economic growth.

Looking now at what actually happened in the economy last year, the national economy continued to grow at a rapid rate. We will get the final result for 2006 only in March, but various estimates suggest GDP growth of approximately 6.7-6.9 percent for last year. I say 'approximately' because we still need to calculate events in the energy sector at the

end of the year in connection with the warm winter. Perhaps there will be slightly lower figures in the energy sector, but in any case, GDP growth was higher than in 2005 (it was 6.5 percent in 2005). As you know, one of our main goals is to double our GDP in ten years, and this requires an annual GDP growth rate of around 7 percent (6.8-6.9 percent).

For the first time in modern Russian history we had single-digit inflation – 9 percent - in 2006. It is very good to see that this was precisely what we forecast. I remind you that when I became prime minister in 1999, inflation was running at 36.5 percent. We can see that much has been done to lower inflation over these last years. But we cannot stop here, of course, and we will continue to fight inflation and should be able to bring it down to 4-5 percent over the next 3-4 years.

As you know, Russia has settled and paid off the former Soviet debt ahead of schedule. We paid not only our share of the debt but also that of all the former Soviet republics. Last year, Russia paid \$22 billion ahead of schedule. Just to remind you, Russia's debt in the mid-1990s came to around \$165 billion. This is an approximate figure because the debt was calculated in different currencies. We have paid practically all our debts ahead of schedule, and at the same time we have seen the country's gold and foreign currency reserves increase from \$12 billion to \$303.7 billion today, giving Russia the third-biggest foreign currency reserves in the world. Add to this the \$88 billion in the Stabilisation Fund, and it is clear that these funds will contribute to the Russian economy's stability and provide it with solid reserves to fall back on in the event of a serious drop in oil, gas and energy prices in general on world markets, although, given the world economic growth forecasts, this looks unlikely to happen. On the contrary, it is more likely that there will be insufficient energy resources to go round.

Major Russian companies increased their value by more than 90 percent. Market capitalisation also continued to show rapid growth and last year grew at a rate of more than 80 percent. Without any doubt, 2006 can be called the year of IPOs, because it was the first time that Russian companies carried out initial public offers of their shares on such a scale – IPOs worth dozens of billions of dollars - on international and Russian exchanges. Russia's stock market capitalisation is approaching one trillion dollars, and in terms of this indicator Russia has now become one of the world's ten-largest economies. And this is just the beginning.

These are all important economic development indicators, but this is not what is most important. What then was the big difference in the quality of Russia's economic growth in 2006? What is most important of all is that this growth was based not only on favourable external economic circumstances for our country, but also to a considerable extent on domestic factors, on consumer and investment demand within Russia. This is the result of conscious, purpose-driven policy decisions by the Russian Government and the Central Bank.

Tax incentives and changes to customs policy create incentives for entire sectors of the economy to upgrade and modernise. I am pleased to see that fixed-capital investment reached the record level of 13.2 percent in 2006, and retail turnover grew by 13 percent.

As for the construction sector, it broke all the records. Over past years it has shown decent and steady growth of 7.6 percent a year, but last year it more than doubled and reached a figure of 15.7 percent.

These results are good to see, but we must also remember that in terms of new housing coming onto the market, we are still at only 82 percent of the 1990 level, and so there is still progress to make. If the sector keeps developing at this pace, however, we will not only catch up to the 1990 level soon, but will completely overtake it.

A couple of words now on currency market liberalisation. These were not easy decisions for us. To speak frankly, we were somewhat nervous, myself included, about giving the go ahead to the policy proposed by the Central Bank. But I am pleased to see that this policy has proved its worth. The Central Bank has sent the market clear signals and the market has listened. Of course, the Central Bank did take a fairly conservative line and preserved regulation instruments in this sector of the economy. If you recall, however, I said in my Address to the Federal Assembly at the beginning of 2006, that it would be good to speed up the transition to a fully convertible rouble and introduce the new rules not as from January 1, 2007, as was planned, but starting in the summer of 2006. We went ahead with this decision and the results lived up to all our expectations. Previously, we were seeing an outflow of capital from Russia of from \$15 billion to \$25 billion a year, but last year there was an unprecedented inflow of private capital totalling \$41 billion into Russia. Of this total, \$31 billion comes from direct foreign investment. Overall, the results of our decisions confirmed what we already knew, namely that money does not go to countries that close their markets, because it is afraid that it will not be free to leave again, but it goes happily and without fear to countries that follow a liberal policy, as we are now observing here in Russia.

2006 marked the transition from a policy of stabilisation and accumulation to a policy of development. The special economic zones, the Investment and Venture Funds, the technology parks and other forms of public-private partnership have all begun working, and we have begun carrying out regional investment development programmes on a scale we never dreamed about before. You know about these programmes, but if there are additional questions, I am ready to answer.

The government has finally adopted development programmes for the energy, transport and aviation sectors. It still has to approve a programme for the shipbuilding industry. But it has already made development decisions for the defence industry and for science and technology development, that is, the economic and industrial sectors that will be crucial for the Russian economy's long-term competitiveness.

The task today is to ensure that, despite all the problems that will inevitably arise as a result of the political events at the end of 2007 and the beginning of 2008, we maintain high economic growth rates and continue to make progress towards the goals we have set in order to improve the lives of our citizens.

That is all I wanted to say for a start. Thank you for your attention. I am ready now to answer your questions.

A. GROMOV: Colleagues, can I please ask you to introduce yourselves and ask only one question. Let's begin with Mayak radio station.

V. SANFIROV: Good afternoon. Valery Sanfirov, Mayak radio station.

Vladimir Vladimirovich, an unusual, as of now, case for Russia, an intellectual property protection case, is unfolding in Perm Region. The director of a village school, Alexander Ponosov, is being taken to court for buying computers with non-licensed software. He faces a maximum of five years in prison. If you are aware of this case, could you comment on it, please?

VLADIMIR PUTIN: I am not familiar with this case. All I can say is that we do have obligations and that in any case our policy is aimed at protecting intellectual property rights. But this should not be implemented in a purely formalist way and, to make perhaps not a most fortunate comparison, a comparison with the fight against drug addiction, we need to fight not the people who use the product, but the people who produce and distribute it. In any case, a purely formalist approach will not help. After all, the law recognises the concept of someone who purchased the product in good faith. It is easy to just grab someone and punish, but what we need to do is get to the bottom of each case, which is harder.

If the legislation which, as I see, is not very adequate, needs to be amended, then we will reflect on this. But to grab someone for buying a computer somewhere and start threatening him with prison, is complete nonsense, simply ridiculous.

G. FEIFER (National Public Radio, USA):

Thank you, Vladimir Vladimirovich. Last year marked a turning point for Russia's foreign policy. Moscow demonstrated that it will use its energy resources in its own interests. At the same time, relations with Western countries are at their worst levels since 1990, perhaps even since 1985.

You said recently that the term 'superpower' is an outdated notion from the Cold War era, and you said that it is other countries that seek to portray Russia as the enemy. Could you please name these countries? Does this include Washington and London? If not, who is it specifically that is trying to damage Russia's image?

Thank you.

VLADIMIR PUTIN: My pleasure.

We are constantly being fed the argument that Russia is using its current and emerging economic levers to achieve its foreign policy goals. This is not the case. The Russian

Federation has always abided by all of its obligations fully and completely, and it will continue to do so.

But we have no obligation to provide huge subsidies to other countries' economies, subsidies as big as their own national budgets. No one else does this, and so why are we expected to do it? That is the first point.

Second, our actions, and the agreements we reach with the transit countries, are aimed above all at ensuring the interests of our main consumers. I can assure you that the experts understand this full well. Just recall how it was when we signed a contract each year with Ukraine for both gas supplies to Ukraine and for gas transit to Western Europe, and our consumers in Western Europe always depended on us being able to reach an agreement with our partners in Ukraine. But now we have separated these two aspects and created market conditions for transit.

As I just said, the experts understand this situation very well; thanking us would be more appropriate, but instead, we see a dishonest attitude to the interpretation of events taking place. This is, of course, the work of Russia's ill-wishers. I am not suggesting that this is something going on at state level, but there are people out there who do not wish Russia well. The people who write these kinds of things, it's them who are our ill-wishers. So, if you write these kinds of things, then you are among their number, but if you give an accurate and objective portrayal of events, then you are not counted in this category.

M. SEVOSTYANOVA (Nivy Zauralya): Vladimir Vladimirovich, you visited our region last year. Ours is an agricultural region. We are still under impression of your visit. I would like to know if there will be any increase to the subsidy limit for interest rates on loans of up to five years for the purchase of agricultural machinery, and on short-term loans for seasonal expenses.

Thank you.

VLADIMIR PUTIN: We cannot make exceptions for individual regions. If we are talking about federal policy, then it must be one and the same for all the country's regions.

Regarding agricultural machinery, we are currently expanding the leasing fund's possibilities. Both last year and this year, additional federal budget money is being allocated for this purpose. I do not remember how much exactly, but I think we are talking of an extra six or seven billion roubles. We hope that this will increase the possibility for leasing.

As for loans, we are carrying out a special programme aimed above all at supporting the livestock industry, and we have seen a very significant increase in the number of loans made to certain types of agricultural businesses. The figure is slightly lower for large companies, but for small private holdings the number of loans has shown a 40-fold increase.

Incidentally, we have just passed a law on agriculture, a first for our country in this area, and it also aims to support agricultural producers. This law also places a lot of importance on social development. All of this together should have a direct and positive impact on rural areas, including in your region, I hope.

A.VERNITSKY (Channel One): Vladimir Vladimirovich, you spoke recently about the responsibilities of all the branches of power and the civil servants to Russian citizens. To quote your words, you said they are responsible for, “the country’s successful and dynamic development”. It seems that you have some cause for dissatisfaction with civil servants’ work. If this is the case, what exactly is this cause?

VLADIMIR PUTIN: There is probably always some reason or other for dissatisfaction with civil servants’ work, and with my work too. But I was referring to something slightly different when I made those comments (during an interview for your Indian colleagues just before my visit to India, if I recall correctly). I was referring to the fact that the future authorities after the 2008 election should be consolidated and effective in their work. This was not just a chance statement. I was talking about the future. If you recall the mid-1990s, it was like in the fable when the swan, the crayfish and the pike were each tugging and pulling in their own direction, but the country stayed where it was. It was a situation when the different branches of power were taking care only of their own political ambitions and talking about reform, but were not actually accomplishing much. That is what my words were about.

I very much hope that all the branches of power will recognise their responsibilities to the Russian people and that, after the elections in 2007 and 2008, they will consolidate and form the bodies of power in such a way that they will be able to function efficiently and resolve the problems facing the country.

Y. SERGATSKOVA (MK in Volgograd): A process of mergers between regions is currently underway in Russia. Will this entail any changes to state policy regarding the small ethnic groups living in these regions?

VLADIMIR PUTIN: No, of course not. Quite the contrary. For a start, any territorial changes, whether mergers or separations, can only go ahead if this is the will of the citizens. Local laws allow for different procedures, but they are all based on the region’s people expressing their will. The mergers that we have seen between regions took place because many regions proved economically unviable, unfortunately, ended up in a very difficult economic situation and were unable to deal with their economic and social development problems. In cases where regions wish to merge in order to improve their situation and be able to resolve their problems more effectively, we support such mergers. We also have laws providing support for the small indigenous peoples of the Far North, for example, and for indigenous cultures. We place great importance on this matter. Russia is a unique country in its ethnic and cultural makeup. This is our wealth and we cannot take a wasteful attitude to this treasure. We will do everything to preserve and support it.

Incidentally, this also applies in large part to the procedures Russian businesses follow in organising their activities in areas where these small indigenous peoples traditionally live. What I mean is that, when carrying out investment projects, for example, the interests of the local people, especially of the small indigenous peoples in the Far North, must be taken into account. When big business invests in these regions, it must also ensure the preservation of these peoples' traditional activities and protect the local environment. This is very important work.

A. GROMOV: NTV, Vladimir Kondratyev, please.

V. KONDRATYEV (NTV): Vladimir Vladimirovich, when President Yeltsin was in power, he had the habit of naming his successors. Under your rule, it's quite the opposite and you have not yet named any names. Everyone is all busy guessing. I wanted to ask, as part of the reform of political parties that you have already begun, will a transparent and predictable system for the preliminary selection of candidates for important state posts be put into place? And although we do not know the name of the person who will have the best chance of becoming Russia's next president, we can all see that Russia is now entering a very important stage in its development as the difficult time of elections draws near. In this respect, I wanted to know your view and ask you which political forces will be the main contenders in these elections and between which political forces will Russia's citizens make their choice?

VLADIMIR PUTIN: You used the word 'rule'. I do not rule, I simply do my work. As for the preliminary preparation of candidates for senior state posts, these are generally elected offices and in this context it is always the voters, the citizens of Russia, who decide.

Regarding purely civil service jobs, the Presidential Executive Office has a department responsible for personnel work. It does not work in the same way as was the case during the Soviet period, but there is a certain selection of personnel. As you know, we have a big shortage of qualified personnel. The situation is gradually improving, but only slowly. I am sure, however, that the pace will pick up.

As for the successors you mentioned, I have said many times now that there will be no successors. There will be candidates for the post of president of the Russian Federation. It is the state authorities' job to ensure that they have the democratic means to pursue their election campaigns and set out their campaign platforms so that voters can then make an informed choice.

R. VERDIEV (AZERROS Media Holding, Azerbaijan-Russia):

Vladimir Vladimirovich, the country is now entering a very important period. Much has been done over these last years to strengthen Russian statehood. What do you plan to do with regards to cooperation between the state authorities and public organisations and political groups to resolve ethnic political issues?

Thank you.

VLADIMIR PUTIN: Do you mean creating some kind of new body? Could you please make your question more precise?

R. VERDIEV: Russia is a multiethnic country and has quite a good degree of effective cooperation between its various peoples and ethnic groups. But, as you said yourself, Russia is entering a politically active year and the ethnic issue is one that could also come to the fore. What will be done this year, therefore, to ensure that cooperation between state and civil and political organisations on resolving ethnic political issues is as effective as possible?

Thank you.

VLADIMIR PUTIN: Now I understand.

I think it would not be right to start meddling in the work of public organisations under the pretext of organising better cooperation. This does not fit with our view of how we should form our relations with public organisations in general. But the authorities should be and are open to dialogue with public organisations.

As for the question of playing the ethnic card, that is the worst direction an election campaign can take, because people should be elected not on the basis of their ethnic identity, but on their professional and personal qualities.

As for passive electoral rights, all citizens of the Russian Federation are equal before the law, regardless of their ethnic and religious identity.

Y. ROZHKOVA (Vesti news programme, Rossia TV channel): Good afternoon, Vladimir Vladimirovich, I would like to know your view on an issue that has been coming up quite often. Why, in your opinion, is there in our country, which defeated and crushed Nazism in its time, still the soil for various nationalist, racist and xenophobic ideas?

Thank you.

VLADIMIR PUTIN: This is something that worries all of us, the authorities and the public. I think that there are many causes for this situation, including a certain lack of direction, a certain ideological vacuum that arose after the collapse of the Soviet Union, and a certain frustration among the main ethnic groups, the biggest ethnic groups.

I try to be absolutely objective, but we cannot take a superficial attitude towards this matter. The authorities do not always react appropriately, unfortunately, to problems in this area. But if we look at the causes, one of them is undoubtedly that, despite the collapse of the Soviet Union, our borders remain open. The former Soviet republics have all become independent countries, but labour market issues, for example, have not always

been settled to the benefit of Russia's own people, its own citizens. The authorities should have taken timely action to resolve this situation in such a way as to protect the interests of both Russia's own citizens and foreign citizens (for we know that the foreigners who often come to work in Russia end up in a situation where they have no rights at all, and the media has raised this issue often). And leaving it unresolved is harmful to everyone's interests, both those of the foreign workers and those of our own citizens. Among other things, this situation also contributes to the emergence of xenophobia and nationalism. This is not the only cause, of course. But whatever the reasons, we first need to eradicate the causes and fight their manifestations. I very much hope that we will do this together with the public organisations, with the media, and of course, with the state itself, with the state authorities.

S. SANNIKOVA (Moya Udmurtia TV channel, Izhevsk): Good afternoon, Vladimir Vladimirovich. Gazprom plans to liberalise gas prices on the domestic market soon. What impact will this have on the social sphere?

VLADIMIR PUTIN: Gazprom cannot liberalise anything, including prices, without a corresponding decision from the Russian Government. The Russian Government has, in my view, made carefully considered decisions regarding energy development. This concerns not only gas prices but also electricity, nuclear energy and hydro-energy prices, and market regulation and deregulation. What is the actual issue here? If we take the resource in question, gas, the issue is that gas is regulated and sold on the domestic market at non-market prices, and this leads to a situation where the entire economy, the housing and utilities sector, the population in general and all heat and energy consumers, become dependent on one primary energy source. This has a negative impact on all the other segments of the energy sector. This is dangerous from the point of view of ensuring energy supplies for the population and the national economy. We realise that this system is quite vulnerable and that we need to achieve more balanced energy consumption. Even if you put a policeman to watch each consumer, they will still use whatever is cheapest. This is why we need prices that make it equally profitable to sell energy resources on the domestic market and sell them abroad. But on the domestic market, given transport costs, and given the export duties, which don't exist on the domestic market, of course, gas will always be 40-45 percent cheaper.

The government has decided that gradually, over a four-year period, reforms will be carried out in the energy sector in order to make it more balanced, viable and competitive. Our economy is three-four times more energy-intensive than the economies of our main competitors in Western Europe, North America, and even China. If we continue developing our economy this way we will never become a leader and will always lag behind. This is the basic reason why we simply must introduce the kinds of regulation I just mentioned. But as I said, this will be a gradual process. It will proceed at quite a high pace for the economy, but will nonetheless be gradual – 15 percent this year, 25 percent in 2008, then 26 percent. Then thirteen percent a year, it is quite a lot, but the government has decided that subsidies and tariff regulation for electricity supplies to the population, which is the biggest expense for households, will continue even after 2011, and at least until 2015. Subsidies on the electricity market, in particular, will start being

phased out only after a system has been put in place to provide subsidies to those groups of the population who need them. Such decisions have been approved today, at any rate, and I hope that they will be maintained after 2007 and 2008.

O. SHCHEDROV (Reuters): Thank you.

Vladimir Vladimirovich, I would like to come back to the question asked by my colleague, Mr Kondratyev, from NTV. I won't use the word 'successor', but the fact remains that you are the most popular and the most influential politician in the country and your view, in the analysts' opinion, will be decisive for the presidential hopes of any candidate in the presidential election. The problem today, though, is that most of the other politicians around at the moment are not experienced political campaigners and have not yet shown themselves to be political heavyweights.

My question therefore is when, as you have hinted you may do, will you indicate the candidate that you think would be best suited to becoming the next president? Can we expect this to happen this year? Could this person be a high state official? This is a question that many voters and investors are asking.

Thank you.

VLADIMIR PUTIN: Everyone who should be is already working as high state officials. We should not be running round in a fuss over the upcoming elections, but, as I said, should be ensuring that our citizens have the chance to make an objective choice and ensure that they can make their choice in free and democratic fashion.

I am also a citizen of this country, a fact of which I am very proud, and I reserve the right to express my preferences, but I will do this only once the election campaign begins.

A. GROMOV: Vladivostok, the floor is yours, but a little more calm, please.

M. SOLOVYENKO (Narodnoye Veche newspaper, Vladivostok): Good afternoon, incomparable Vladimir Vladimirovich.

VLADIMIR PUTIN: You make me feel quite embarrassed.

M. SOLOVYENKO: I'm happy to hear that. That's just what a woman is supposed to do. Do excuse me, of course.

M. SOLOVYENKO (Narodnoye Veche newspaper, Vladivostok): Everyone has their own question they want to raise, and mine is again about corruption. I'm here unofficially, and my question likewise. I ask my colleagues to excuse me if my question is a bit lengthy, but I'll try to be quick.

You have worked very well on the international stage, Vladimir Vladimirovich, and now you and the government have come up with this marvellous project for Vladivostok. We

are to have an oceanarium, and, I hope, 50 planes a day, and a bridge to Russky Island, and probably life will suddenly start to look like paradise.

But you know, you barely left Vladivostok, and all these assistants, advisors, former senators, deputies engaged in smuggling, and former vice-governors who have plundered our budget have already started dividing the hundred billion that the cabinet promised us.

Vladimir Vladimirovich, you who know and can do everything, please tell us how you are going to protect us from these thieves, these mobsters? And even though you say that you work rather than rule, perhaps you could introduce direct presidential rule in Vladivostok and the Primorye region?

VLADIMIR PUTIN: I think that if we want all Russian citizens and the population of various regions to feel that they are involved in the life of their country, district, region or city, we have to work at this together. Do you remember the discussion on the new way to bring to power the heads of regions and people talked about naming the heads of regions? Yet this new system does not amount to naming them since the deputies of the local assembly have to vote on the gubernatorial candidate. And I have already said and can repeat once again that there were already instances when I had to change my initial opinion, when the deputies of the legislative assembly said: “we respect you and – as you expressed it here – we even love you, but we will not vote for the candidate that you want to suggest”. And you know, as a matter of fact this makes me happy? We are achieving what I wanted, namely that the regional authorities have deep links with national interests and yet an understanding of local problems and dependence from people who live in the region, in this case, the directly elected deputies of the legislative assembly. For that reason I don’t think that we need to introduce direct presidential rule – we simply need to uncover the problems that are hindering the country and the regions as a whole by working together, and to fight against them together.

As to corruption, there are many ways to fight against it. We very often return to this problem, to these issues. One of them is certainly developing the media. And we know that the authorities are often criticised for limiting the freedom of the media. And society criticises that same media for the fact that the content and style of their work do not correspond to the population’s expectations. And they are right to criticise us and to criticise you. But when looking for more effective ways to fight against corruption, other than the development of civil society and freedom of the media, then it becomes clear that there are no more effective ways.

Of course we should strengthen and we will strengthen the various instruments of supervision and prosecution, including criminal prosecution, for illegal actions. But this will always remain insufficient if we both fail to understand the issue and encourage society to fight against this evil itself. And in this sense of course a great deal depends on you.

With regards to the financial resources that we have foreseen for the development of Vladivostok and the Primorye region, I am confident that we made the correct decisions. We know about the Far East's problems and, first and foremost, these are connected with tariffs for transportation and electricity. I very much expect – and the cabinet has made the corresponding order – that the cabinet will think intensively and make certain decisions, even if they are not necessarily market-based. Because today I think that we need to make certain, even non-market oriented, decisions so that the life of our citizens in the Far East, in eastern Siberia, does not differ with the level or quality of life of people living in the European part of Russia. We can and must do this. But it seems to me that these investment projects, these stimuli for development, and using occasions such as the APEC summit represent good opportunities. As I already said, this will amount to approximately 100 billion rubles. This includes the recreational and leisure zones on Russkii island, developing the water supply system, sewerage, energy, airports, and constructing roads. And in my opinion, along with all this we are planning developments in a bay that you know, on the coast – I think that its name is Patrokl. We are planning to engage in housing construction to provide for the needs of the Vladivostok garrison and perhaps even the servicemen from the whole Primorye region, and in part for the city (248 hectares of land have already been given up by the military). Of course we must do this while taking into account environmental requirements, because this place is unique. I saw how many forests there are and the ocean, and we can make this place very beautiful: a new, pretty housing complex for the city.

VIACHESLAV TEREKHOV (Interfax): Hello. A question on a painful subject, on mortgages. But before I ask you my question I would like to say that today you will certainly congratulate Boris Nikolaevich Yeltsin on his birthday, and please give him greetings and best wishes from journalists, or at least from those who have worked with him all these years.

Here is my question. You know the saying: “Do I have rights?” “Yes, of course.” “Does that mean I can?” “Not in the least!” This is a partial illustration of the mortgage situation. I know it through my personal painful experience and that of my relatives. You can only take out a mortgage at eleven percent for an apartment that is already ready or which has a building contract. This implies that the apartment is already very expensive. It is impossible to take out a mortgage at the very outset, when the apartment is one-and-a-half- or two-times cheaper. Banks do not give mortgages on these conditions. People say that there is a problem with the legislation. Is this really a legislative problem or is it simply the officials – I wouldn't want to say ‘corruption’ but perhaps the problem of something being overlooked?

VLADIMIR PUTIN: No, this simply reflects the realities of Russia's economy today. First of all, mortgages were more expensive and shorter just a little while ago and today they have become both cheaper and longer.

You said eleven percent. Well, if you think about just the economic situation, can the mortgage be cheaper if inflation in Russia was nine percent last year? Nine percent inflation implies that mortgages cannot be lower than ten or eleven percent. And

therefore what is the main conclusion? If we strengthen the economy and bring inflation down to the level I mentioned, to four or five percent, then mortgages will be five or six percent, be longer, and money will also last longer.

What are possible solutions today? For some people – not all but some categories of citizens – for young families in rural areas, for servicemen, and for several other categories, there are preferential rates for taking out mortgages. These are already working quite effectively in rural areas: money is allocated both from the federal and regional budgets for these purposes. As you know, a special mortgage system has been created for servicemen and it will entirely be paid by the state. Incidentally, this year the first 200 officers, 200 young lieutenants, should already have occupied the apartments they received through the mortgage system. We'll see how this works.

VIACHESLAV TEREKHOV: But they don't give mortgages from the outset, for simply cheaper apartments. I am not talking about rates, they only give it with the building contract, in other words only with a ready apartment...

VLADIMIR PUTIN: This implies that banks do not only want to earn money but they also want to protect themselves from certain risks connected with possibly unfinished or long-term construction.

NATALIA SPASSKAIA: (Deaf TV, Nizhni Novgorod): Dear Vladimir Vladimirovich! At the previous press conference you were able to directly state your opinion on our questions concerning giving Russian sign language official status in media such as television and subtitles for television programmes. Thank you.

And now please answer our questions.

This year we saw that very little work has been done with respect to providing subtitles for programmes or using channels translated with sign language. It is understandable that it is not profitable for commercial television channels – and they are the majority – to invest in this and to provide all information in sign language and with subtitles for Russian citizens who cannot hear. Pay state TV channels have a very small number of programmes with subtitles. In addition, to watch a pay programme with subtitles you need teletext. And not all are able to obtain TVs with teletext.

Vladimir Vladimirovich, it is only through creating a separate television channel for deaf citizens where all programmes would be broadcast for free, with subtitles or in sign language that we will be able to solve this problem. What do you think about this?

VLADIMIR PUTIN: You know that we discuss this problem at practically every meeting. We discussed it at the last press conference and at the previous one. And probably knowing that such issues would be raised in this press conference, yesterday and even today certain heads of TV channels said to me: "we're doing it, we're doing it, we're doing it". They even told me the time when, for example, the news is shown with subtitles. This includes Pervyi kanal, and the state channel, RTR. And first of all, I agree

with you that this is probably still not enough. Second, with respect to a separate channel, I will be honest and say that we have not yet thought about this. But in principle I am ready to discuss this with the management [of television channels], or, in any case, with the management of state television channels. Ok, we will think about this.

ALEKSEI GROMOV: Aleksandr Gamov, Komsomolskaya pravda, please go ahead.

ALEKSANDR GAMOV: Vladimir Vladimirovich, I just wanted to ask what is your mood today?

VLADIMIR PUTIN: A fighting mood.

ALEKSANDR GAMOV: That is quite visible. I have the following question: are you often in a bad mood? What usually causes it and what do you do to get out of a bad mood? And, if I can, I have one more question. In some western media where presidents do not host such stunning press conferences, from time to time there are remarks that a person, and even Putin, cannot have the amount of information produced here in his head. And that when you answer our questions, you look somewhere and, in addition to the notebook that I noticed you brought with you, you have something built into the table. (Laughter.) Is there a prompter or a computer or some kind of electronic equipment that you look at from time to time? Do you have anything there?

VLADIMIR PUTIN: No, I don't have any equipment.

And I think that your colleagues and especially you yourself, often see, or can't help but seeing that there is nothing here, especially when carrying out this type of major live event.

And it is not difficult to work with the actual material, with the figures, because I work with these figures not only during press conferences but every day. And for that reason I assure you that there is nothing difficult here. No special talents or skills are needed.

Today we talked about, we mentioned, mortgages and the pension system. What else did we talk about? About energy prices, gas prices. You know, these are all things that enter into my daily work. I have discussed this dozens of times with the cabinet. And when we were preparing the demographic programme, we met – I don't know – maybe 15 times. And eventually all of this resulted in the fact that there were still two or three disagreements between departments, and they said to me: “we cannot resolve these disagreements ourselves. We need to meet with you”. And I say: “let's meet”.

You must understand that after all that work, citing some figures is not a problem. And with regards to bad moods of course I have bad moods, just like everybody else. But in those situations I try to consult with my dog Koni, who gives me good advice. My wife recently gave me a good book as a present – the poems of Omar Khayyam – and there are a lot of interesting things in it that can help in these types of situations. I recommend it.

ELENA GULSHAKOVA (RIA Novosti): May I ask about some more serious things? In your opinion, what have been the past year's main foreign policy results? Several experts believe that Russia has created a ring of unfriendly neighbours around itself. Do you agree with this opinion? And which of our neighbours would you refer to as Russia's partners? Thank you.

VLADIMIR PUTIN: We are building partner relations with all countries and of course we have closer relations with several countries – for example with the CIS as a whole – though there are some problems there. We admit that in the last little while we have in no way been able to regulate our relations with Georgia. But we have the Eurasian Economic Community where integration processes are developing intensively and the Collective Security Treaty Organisation.

As to our relations with other countries, as a whole we are satisfied with their development. And you know that praising or taking pleasure from the fact that you are being praised as you betray national interests is very simple, but to construct pragmatic, business-based relations while defending your national interests is not always possible without a certain amount of tension and problems. But in those cases I always remember a well-known old saying: “If you become angry then it means that you are not right”. We do not want complications with anyone. When I hear, as you said, that we are surrounding ourselves with a ring of malevolence, then it is not so.

Last year, at the beginning of the year, Russia had tense relations with our Ukrainian friends and partners because of energy, because of energy transport. One – well, I actually remember who, but I am not going to say so now – of my European partners said: “Look, there will be political changes in Ukraine. Yanukovich will come to power, you shouldn't then change your energy policy”. I said: “we are not going to do this. We made an economic decision, not a political one”. Last year Ukraine received energy and gas for 95 USD and this year for 135 USD despite the fact that well-known, significant political changes took place in Ukraine. But our relations with Ukraine did not deteriorate because of this – they became better, stronger and more reliable both for us and for Ukraine. We are always ready to help the Ukrainian people, the Ukrainian government and the Ukrainian President if they ask for our help and, in this case, in the energy sector. They know this. We said that we are always ready to help if necessary, even if it is not compatible with market principles. But the most important thing we did was agree that our relations today and in the future would be market-based. We signed documents on a soft transition to market-relations with all countries that transport our energy. This is what we are referring to. This does not depend on our political relations with these countries. For example, we have very stable and not simply trusting, but also strategic relations with Armenia. Yet Armenia pays market prices.

This year we had well-known difficulties with Belarus but we nevertheless signed an agreement on transport and on energy changing prices in the future to have entirely market-based relations. And in the end this is the most important thing. It is not even important how much Belarus pays today, rather it is important that we have determined the stages of a transition to market relations in documents. But we did this softly – over

four years – and in absolutely friendly way. Of course one might hope for everything that they had before in the future, but to have the same is not possible. This is not possible if we are different states. Do you understand? Belarus and Russia intend to nevertheless continue to build a Union State – we are very happy with and welcome the changes that the Belarusian leadership has made to work out common tariffs on crude oil and oil products. This is a real step towards creating a fully operational customs union. We consider that all is not lost with respect to having one currency. I am confident that our Belarusian partners are in a position to analyse reality, able to understand the reliability of the Russian economy and the Russian currency, and perhaps introduce a common currency. Not the Russian ruble or the Belarusian ruble but perhaps, as we had initially planned – because we planned to do this – to first of all use the Russian ruble. This is all possible.

We have very close relations with Kazakhstan, and they are developing successfully in practically all directions. And with respect to Europe, then of course we will defend our interests. Look at what is happening in agriculture: the subsidizing of agriculture is a billion-dollar process in the European Union. As an example, look at how much Hungary received in subsidies from the EU this year. One billion and some euros, even more. When compared in percentage terms to our agriculture, these are huge sums. And they try to dump everything in Russia. They don't allow us onto these markets. And how did this happen? It started when we were exclusively consumers of imported food stuffs, in practice we did not have our own agriculture – it was practically non-existent. And now we have export potential. Last year I think we sold 12 to 14 million tonnes of grain and this year the numbers are the same – we have already sold 6,5. Here you calculate a year from July to July, is that right? And this year it will be 14 million. We are not very welcome on traditional markets, no one is happy about this. But we are going to patiently reach agreements. We never operate in a confrontational way. Last year we hosted the G8 in St Petersburg and for that reason saying that our international relations have seriously deteriorated seems wrong. On the contrary, it seems to me that they are becoming more pragmatic, steady and reliable.

ANDREI KOLESNIKOV (Kommersant): Vladimir Vladimirovich, after all that you have done in these years, all that you have gone through, and after what you still have to live through, thinking about all that you did during these years, do you want to return to major politics at some point?

I understand that there is probably a temptation to say at once that you are not leaving politics yet and this is, to put it mildly, the truth but it seems to me that you can afford to be sincere.

Thank you.

VLADIMIR PUTIN: I can afford to be sincere and for that reason can say that I am not going anywhere yet. That is the case.

First, calculate: the presidential elections in the Russian Federation must take place, if I remember correctly, at the beginning of March 2008. And after that there is still some time – two or three months – to transfer powers and other things. That means it will be sometime in May 2008. Why do you want to push me out ahead of time? (Laughter.) I will leave myself, don't hurry.

As to the responsibility for what will happen to the country then of course I feel this. This is no joke, rather it is a very important stage in our country's life. I already said that the future's most important task will be to conserve and support the high rates of development. And I would like to emphasise that this is impossible to do without consolidating authorities on all levels and in all areas, without consolidating the legislative and executive authorities both in the centre and in the regions. Otherwise, we won't be able to ensure continuity with the rates of development that we have achieved. And of course we need all the political forces – and there are many different kinds in the country's political arena – to rise above their general political ambitions and concentrate on teamwork. This means that the state organs must be formed in the appropriate way by the end of 2007 or the beginning of 2008. Of course I think about this. But whatever I think, and whatever I do – and this is no empty phrase – the choice is, in the final analysis, one that lies with Russian citizens.

MARINA LAPENKOVA (France presse): Vladimir Vladimirovich, please choose one question (I have two). One is quite serious, and the other is a little more cheerful.

VLADIMIR PUTIN: Do you want to me to choose now?

MARINA LAPENKOVA: Without looking, yes.

VLADIMIR PUTIN: Without hearing?

MARINA LAPENKOVA: Yes, please choose without having heard.

VLADIMIR PUTIN: How can I be sure that you ask precisely the one that I chose? Ask both, go ahead do not make me suffer.

MARINA LAPENKOVA: Both now? Thank you. Let's begin with the one that is a little more cheerful. Do you agree with Iuri Mikahilovich Luzhkov's opinion that the gay parade is the work of Satanists?

And the second question: could you please evaluate your eight-year term in office from a historical perspective. What do you think is its biggest historical success and biggest failure? Thank you.

VLADIMIR PUTIN: With regards to what the heads of regions say, I normally try not to comment. I don't think it is my business.

My relation to gay parades and sexual minorities in general is simple – it is connected with my official duties and the fact that one of the country’s main problems is demographic. (Applause.) But I respect and will continue to respect personal freedom in all its forms, in all its manifestations.

And the second question. You know, this question is really very serious. I think that you will agree with me that together we were able to restore the country’s territorial integrity. We were able to strengthen the political system and, as I already mentioned, we were able to achieve the necessary growth rates for the Russian economy by emphasizing economic diversification. We were also able to resolve fundamental social problems on this basis. This is a general picture, but in my opinion it corresponds to reality.

What did we fail to do? Of course we failed to do more than we achieved. And today the most fundamental problem – at least in the social sphere – is one that I have already talked about, namely income inequality between the various categories of our citizens.

OKSANA BOIKO (Russia Today): Today is February 1st and I think the last opportunity to wish you a Happy New Year.

VLADIMIR PUTIN: Why? Not according to the eastern calendar... We will still have many such opportunities.

OKSANA BOIKO: I hope so.

You know, for the past two years journalists have celebrated the New Year in Gazprom’s building. And in connection with this I would like to ask you your opinion on whether the energy conflicts on the territory of the former Soviet Union have been settled?

And if I could ask another question. In Europe there are new forces that call for diversifying energy. What do you think, will these calls be implemented or are they first and foremost calls? And in general, is Russia doing everything possible for energy security or are there any latent reserves?

Thank you.

VLADIMIR PUTIN: As to straining our relations with our neighbours, the countries that transport our energy resources, at the beginning of this year then I shall be extremely frank and say that last year we really did have problems with our Ukrainian partners. Yet despite all the difficulties, we managed to resolve these problems to our mutual satisfaction since both Ukrainian and Russian parties have acknowledged that we have an optimal solution to the situation that existed for the past 15 years. 15 years! You should understand that Russia not only gave these republics their independence, but providing for 15 years huge subsidies to these countries’ economies Russia helped them strengthen their independence and sovereignty. 15 years is enough and this cannot go on forever. In just Ukraine’s case this was billions, three to five billion each year. And Russia has its own problems – our pensioners, our servicemen, doctors, teachers and so on. There are a

huge number of Russians living below the poverty line. And I shall repeat that we are doing this softly, quietly, absolutely as partners or even as allies. But we were not able to do this all at once. Both in Ukraine and in Belarus we could not engage in, so to speak, combat on all fronts. That is the first thing. And the second, I will also tell you frankly, is that we did not want to damage the regime of the current President of Belarus last year in light of the forthcoming political events and, first and foremost, the elections. We did not want to create any problems or tensions. And moreover, I personally spoke about this in due time.

In case of Belarus we informed our Belarusian colleagues that we would change to market relations about three years ago. And at the beginning of last year, in March, we made written proposals. Incidentally, there were no objections at that time. It is true that we were not able to enter into full dialogue until November 2006. But we already have seen this, and it happens this way with everybody because, in general, everybody is reluctant to change the current situation. But I shall repeat that we are going to make changes very carefully.

For that reason I expect that the negativity we receive in connection with the transition to market relations is, more or less, already in the past. We agreed on everything with the fundamental transit countries and signed the necessary documents. I hope that both the Russian party – I am referring to the cabinet and the companies concerned – and our interested partners will respect these agreements. I would like to emphasise this. I draw your attention to the fact that our oil and gas companies should not turn up their noses, rather they should work as partners and according to the signed documents.

But do you know what I would like to say in connection with this? This is a good occasion to say another couple of words on this theme. Why did these problems never arise earlier? We are all well aware of where the transport routes for oil and gas were. They went either through the territory of our united state, the Soviet Union, or through the territory of the so-called Eastern Block. Of course there were no problems. And now they have arisen because the transit countries have realized their importance and want to receive the corresponding financial means for transport. But we already pay 4,2 billion dollars to transit countries. And for that reason if that figure increases even more – and in our opinion it has already increased too much – then of course we are going to search for ways to carry out direct deliveries. It is for this reason that we are building a gas pipeline under the Baltic Sea. For this reason we will expand our possibilities to ship, shall we say, oil in the northwest. I already gave an order to the government of the Russian Federation and Transneft has, in practice, already started working on expanding terminals in the Primorye region for an additional 50 million tones of oil. And I would like to emphasise that this will significantly lower our dependence on transport countries.

We are going to accelerate the construction of pipeline systems to the Pacific Ocean with a view to directly entering the developing markets in Asia. And I see nothing bad in the fact that our main consumers in Europe talk about or engage in diversifying their energy policy. This does not frighten us, because in turn we are also diversifying our delivery routes to various consumers and to various markets. Of course they try to scare us a little

bit with this. Because when we hear that they are going to diversify their sources then this implies that we must think about where we are going to market our goods. That is why I say that we are constructing in the Far East, we intend to construct in China, and we are going to do that independently of what happens. And in the Far East and in the Altai region; and as you know, we continued the Blue Stream gas pipeline under the Black Sea. We are now thinking of constructing a second one that would possibly go to southern Europe or to central Europe – perhaps to Hungary, or another central European country such as Austria, or to Italy or Israel. For that reason we have no worries with regards to the plans of our European partners. But if we consider that we are already developing cooperation with Europeans by joining assets then we have such examples – BASF and Gazprom, Gazprom and ENI – and we are doing this in a long-term perspective, until 2030, 2035. Our cooperation is taking on an increasingly steady character.

ALEKSEI GROMOV: Gudok newspaper, please go ahead.

OLGA SOLOMONOVA (Gudok): Vladimir Vladimirovich, please tell us how you see Sochi's chances to host the 2014 winter Olympics? And considering the latest information, especially this morning's, it will probably be difficult and do we really need this?

VLADIMIR PUTIN: I have already many times said that the 2014 Olympics would be a good excuse for us to develop southern Russia, Sochi and the nearby regions. What happened now, a failure in electrical supplies, happens every year. When I used to work in the Supervision Directorate of the Presidential Executive Office, I went to Sochi for this reason, when there was a power failure. Every year the same thing happens: the wires ice over, the wires fail and so on. But this should in no way affect our plans to host the Olympics. As I already said in my opening address, we are now in the position to carry out large-scale regional investment projects that we couldn't even dream out before. And Sochi is one of these projects. The planned investments amount to 314 billion rubles and perhaps even more. If the Olympics take place then it will be a bit more. And if they do not take place then the amount would be a little less (because then we won't need, say, to build two ice palaces in Sochi – that would simply be superfluous). But in any case we are going to carry out that investment project for us, for Russian citizens, so that people have the opportunity to vacation in their own country, to ski, to relax on the Black Sea coast. At present we only have few such opportunities. And in any case we need to develop this. Not only for those who live in Sochi. For the whole country. And I have no doubt that if the International Olympic Committee decides in favour of Sochi then we shall certainly be able to prepare all necessary installations in time.

STEVEN GUTTERMAN (Associated Press): After Anna Politkovskaia's murder you said that there are people hiding from Russian justice who would like to damage Russia's reputation. And after Aleksandr Litvinenko's death your aide Sergei Yastrzhembsky said that this could be part of a plot with that same goal. Can you now tell us a few more details, several months after the tragedy, or say more precisely who you think is behind these murders? Do you think they are foreigners or Russians living abroad? And if yes, then who? Can you name them?

VLADIMIR PUTIN: Only an investigation can determine whoever is behind these murders. And moreover only a court can do so, because at the end of the day it is the court that, having weighed all the pro and contra – both the prosecutors’ arguments and the defense of the accused – makes the final decision.

As to prominent murders, then it is true that the problem of the persecution of journalists is a very acute problem both for our country and for many other countries. And we acknowledge our responsibility in this. We shall do everything possible to protect members of the press.

I recall not only Anna Politkovskaia – she was quite a sharp critic of the authorities and that is a good thing. I recall other journalists as well, including Paul Khlebnikov. And not long ago one of our American partners said something very true: “Paul Khlebnikov died for a democratic Russia, for the development of democracy in Russia”. I completely agree with him. I fully agree with this evaluation.

As to other well-known crimes, you know that just recently the investigation into the murder of the Vice-President of the Russian Central Bank has been finished. I very much hope that the law enforcement agencies will manage to find the criminals who have committed other, no less prominent crimes, and ones that are no less harmful to our country.

With regards to Litvinenko, I do not have much to add here, except what I have already said. Aleksandr Litvinenko was dismissed from the security services. Before that he served in the convoy troops. There he didn’t deal with any secrets. He was involved in criminal proceedings in the Russian Federation for abusing his position of service, namely for beating citizens during arrests when he was a security service employee and for stealing explosives. I think that he was provisionally given three years. But there was no need to run anywhere, he did not have any secrets. Everything negative that he could say with respect to his service and his previous employment, he already said a long time ago, so there could be nothing new in what he did later. I repeat that only the investigation can tell us what happened. And with regards to the people who try to harm the Russian Federation, in general it is well-known who they are. They are people hiding from Russian justice for crimes they committed on the territory of the Russian Federation and, first and foremost, economic crimes. They are the so-called runaway oligarchs that are hiding in western Europe or in the Middle East. But I do not really believe in conspiracy theories and, quite frankly, I am not very worried about it. The stability of Russian statehood today allows us to look down at this from above.

VERONIKA ROMANENKOVA (ITAR-TASS): Lately more women have come to power in various countries – this includes Angela Merkel, Tarja Halonen and presidential candidates Hillary Clinton in America and Segolene Royal in France.

VLADIMIR PUTIN: Guys are simply loafing around, they do not want to work.
(Laughter.)

VERONIKA ROMANENKOVA: What is stopping Russian women? When will we see a woman as President of Russia? And could this already happen in 2008 or is it first necessary to introduce quotas for women's participation in politics? And, incidentally, how are your relations with your women colleagues – is it easier or harder to negotiate with them?

Thank you.

VLADIMIR PUTIN: I am not saying anything new when I say that the participation of women in a country's social and political life is a clear sign of a mature society. We must unfortunately acknowledge that we have very few women not only among the federal leadership, in the regions, in politics in general, in large companies. Few.

Is it necessary to introduce quotas? I don't know, I am not ready to answer that question. It might be even worse to have some kind of discrimination according to sex. Here there are negatives and positives. But whether we are going to introduce quotas or not, we should certainly aspire to make the authorities more balanced. The presence of women in the authorities always makes them more balanced and more capable.

ALEKSANDR KOLESNICHENKO (Argumenty i fakty): When answering one of the previous questions you talked about the reliability of the authorities. In connection with this I would very much like to ask you to return to the theme of corruption and to describe your impression of the situation. How serious a threat does corruption represent to the stability of the authorities? Recently there have been many scandalous affairs that, by slightly opening the curtain, allow us to say that the situation is pitiable. You said that it is possible to fight against this only by developing civil society. But considering what troubles there are now, what measures do you intend to personally take in this direction? There was the feeling that the struggle against corruption in Russia has always been like the weather: a warm period (and incidentally, the pre-election year is now here again, it is possible to hope for this thaw), followed by long frosts.

Thank you.

VLADIMIR PUTIN: Corruption has a great many components and many causes. And first and foremost of course the causes are in the political sphere, in society's political organisation and in the economy. The more open the economy, the less opportunities for corruption. And we are going to act in this direction and we are going to continue to act further. We shall further strengthen the institutes of civil society.

You know, I could now say something bold and brash that would probably please people. But in order to really achieve success one must eradicate the deep causes behind these phenomena. You referred to the fact that recently there have been a lot of cases where corruption has come to light. But I consider that this is good. You know how bad it would be if people in Russia felt that they were surrounded by corruption and not by the prosecution of corruption. And these cases are constantly increasing, and that is a good

sign. Look at what happened with customs. In practice, all management was dismissed, criminal proceedings continue, and some are already sitting in jail. There were large-scale dismissals in various law enforcement bodies, and that is also good. This involves cleaning up the atmosphere that either generates or protects corruption.

But the biggest damage done is not even economic. The biggest damage is moral and political, because the stability of the authorities and the state itself depends on one important factor, namely people's trust in the authorities. And if they see that they are corrupt then this trust disappears to nothing. This is the most dangerous thing.

ALEKSEI GROMOV: Please, colleagues, that group with the flags. Please give the microphone to those who want it.

RUSLAN PE (Gubernskie vedomosti, Sakhalin region): Vladimir Vladimirovich, thanks to your active participation a large group of ministers came to Sakhalin and during the past year there were many changes, including positive ones. For example, the Kuril programme was actively developed. The Sakhalin Oil and Gas Conference moved from London to Sakhalin. However, our island region's so-called doormat is our airport and it is not in good condition. Is it possible to transfer the airport from federal to regional property in order to renovate it more quickly, make it look better, so that the guests who come to visit us will have a good airport and experience? Thank you.

VLADIMIR PUTIN: I will tell you honestly that I am not familiar with the details of the island's airport but of course this is possible in theory and in practice. You must carry out the corresponding work with the Transport Ministry. And in general I consider that this is justified because the airport as a whole should certainly, first and foremost, be oriented towards the region and the regional authorities must be able to directly influence this economic actor. As a rule, there are examples of this. Basically, there is a division between airlines and airports and then they develop separately. But this is not always economically viable. But it is certainly true that the airport could be transferred to the regional level. Along with this I would not exclude that, following Sochi's example, following Vladivostok's example, we could privatise the whole terminal complex while sharing runways and the related equipment.

ANNA NIKOLAEVA (Vedomosti): You have already mentioned the Initial Public Offering (IPO) of major state companies. They are first and foremost banking on the so-called people's IPOs – I am referring to Rosneft, Sberbank and VTB. Nevertheless, what is your opinion, do you think there is danger connected with the falling stock market – and it is an unpredictable thing – that people will simply lose money and this will cause large-scale social protest? And please tell us whose shares you would buy? Thank you.

VLADIMIR PUTIN: Who are you working for? Do you want me to do advertising for someone?

You know that of course investing in securities is always risky. And there are specialised companies and banks that deal with this, that place their clients' financial resources in

various instruments, including in various companies' securities. The economic foundations of our national companies are very sound. And all those who have made an initial stock offering are stable economic actors. They include Rosneft and you mentioned our banks: VTB will now do the same, so will Sberbank as well as other Russian companies, including in the oil and gas sectors. I have no doubts that these are good investments. When I meet with the heads of companies, with shareholders, I do recommend that they place a sizeable portion of shares on domestic platforms so that the citizens of the Russian Federation can freely invest the resources they have in the shares of Russian companies. That is a reliable investment.

ABDEL MUNEM SALEM ADIL (Al Jazeera): Good afternoon, Vladimir Vladimirovich! As we now know, in a few days you are going on a historical visit to the Persian Gulf region. I say historical because you are the first Russian leader to visit this region. What prompted your interest in this region? Does this interest stem from the increasing American military and political presence there? Thank you very much.

VLADIMIR PUTIN: We do not intend to compete with any country in this or in any region. We aspire to cooperation. Russia was always very interested in the Persian Gulf region and in the Middle East in general because throughout history we always had very steady and close ties. We have an absolutely new, high-quality level of cooperation with several countries in the region. We feel that business circles are interested in developing relations with their partners in Russia. We feel that, as diplomats would say, in a large number of important and painful international problems our position is very close and even coincides to that of the leaders of those countries.

And you know that I was already in Israel and in Palestine, and together with my colleagues we decided that the time had come to stimulate our relations with the countries of the Persian Gulf. I have no doubt whatsoever that this will help develop our bilateral relations and will make a visible, positive contribution to the process of finding a Middle Eastern settlement. Russia, as is well-known, has an active role in bilateral relations with the countries of the region, within international mediation missions, and within the UN. We intend to continue to work actively in these areas.

ALEKSEI IAUSHEV (Internet newspaper Fontanka.ru, St Petersburg): Vladimir Vladimirovich, the St Petersburg public and citizens are in practice divided about the construction of the Gazprom City tower at the mouth of the river Okhta. As is well known, it will be more than three hundred metres high. Vladimir Vladimirovich, what is your opinion on constructing a tower in the center of St Petersburg? Thank you.

VLADIMIR PUTIN: First of all, I would like to say that it is the business of the regional authorities – the governor and the deputies of the legislative assembly.

The second is that you know where they are going to build this tower (and as far as I know it is not just one tower – they are also planning other buildings and installations, and talking about constructing the so-called Gazprom City); they are going to build it by the Okhta river. I lived there for almost five years, literally close by, and I know what

architectural jewels there are there. These buildings were built by captured German soldiers after the Second World War, so-called bulk buildings. I remember the first time I tried to hammer a nail in the wall, it just fell out! The walls are bad quality, and though from the outside these buildings do not look bad, they look quite solid, in general they do not have any value. I understand the concerns of those who say that it is very close to the historical centre. I basically share these concerns. It is also certainly true that during the last generations Petersburg became an outstanding centre for world culture and architecture but our generations have done almost nothing. And of course we need some fresh air here, we need some centres that would stimulate development, including business activities.

I repeat once again that I do not confirm that this is the very best decision and, moreover, I do not want to influence decisions made by the city authorities. It is certainly true that such buildings would not damage the city. But where to build them – and I would like to repeat this once more – is a decision that must be taken at the level of the city authorities. It is not necessary to give these decisions to me, I have enough of my own problems.

TAMARA NUTSUBIDZE (Georgia Public Broadcasting): Mr Putin, yesterday the Russian ambassador handed over his letter of credentials to the President of Georgia in Tbilisi. Does this mean that the dialogue between our countries has been restored? And if so, will steps to renew transport communications, the return of Georgian goods to the Russian market, and the delivery of Russian visas follow? Thank you.

VLADIMIR PUTIN: When we met the President of Georgia recently in Minsk we asked the question: why do we need the CIS and what is it for? And together, in general, we saw that if the CIS and its instruments and mechanisms did not exist, then we would not meet with Mikhail Nikolaevich and would not be able to talk about the problems between our countries. And even at that meeting we basically laid out the fundamental problems, and generally and as a whole, moved towards normalising relations.

Despite the difficult energy dialogue we have nevertheless managed to solve that problem. We understand our Georgian partners' desire to, shall we say, receive gas for below market price. And we gave them the opportunity to quietly, without any confrontation, try and solve this problem – you certainly know this. Talks with Azerbaijan, with Turkey... We are delivering to Turkey. Iran did not deliver a large amount of gas to Turkey last year. We do not know the reasons for this. Our Turkish friends asked that we increase deliveries and we greatly increased them. Because we know what is happening in the region. We quietly waited while all consultations were carried out and then agreed on a market price of 235 USD per thousand cubic metres. Quietly, without any theatrics. We respect the position of our Georgian partners. We sent back the ambassador as planned and we hope that this will act as the first step towards resolving all our problems. When we see the drum roll in the Georgian press on this occasion – that the ambassador returned, that we have won – well, alright, let them feel that way. We react very calmly to this. The most important thing is that it supports the normalization of relations.

NATALIA GALIMOVA (Moskovskii komsomolets): I have the following question. One of the main intrigues of the future State Duma elections will be the results of the rivalry between two parties – United Russia and Fair Russia. But in the few months since the founding of Fair Russia, we have heard an exchange of spiteful comments and a show of force from the representatives of both parties. But it doesn't seem to me that we are seeing the most important thing in a political struggle. I mean the struggle between ideologies, between programmes. Vladimir Vladimirovich, in your opinion, is there a difference between the ideologies of United Russia and Fair Russia and do you consider the present rivalry between these parties to represent a real political struggle? Thank you.

VLADIMIR PUTIN: How mature the political battle is depends on the maturity of the people taking part in it. I can see the difference. There's no point making a secret of what everyone knows, namely, that I played a direct part in creating United Russia, helped this political party develop, helped in its creation and formation. I began this meeting by talking about the results the country achieved last year. If you noticed, I used the words 'for the first time' and 'record figures' on a number of occasions, and this reflects the reality, the facts.

I am not going to heap praise on anyone, but these results would not have been achieved if there had not been understanding on key issues between United Russia and the government. No matter how much we may criticise the members of the State Duma, United Russia has played a considerable part in Russia's consistent progress and development over these last years. At the same time, however, I would welcome the emergence of another political force. The difference between them, as I see it, is that United Russia represents a more liberal and right-of-centre view, as far as economic policy is concerned, in any case, though many social-democratic tendencies are also evident, as I have seen clearly in work on various draft laws. Fair Russia, on the other hand, is much more of a socialist, social democratic party in all policy areas. This is perhaps not yet completely evident, just as United Russia's right-of-centre liberal vector is not completely evident, perhaps. They need time.

Overall, I think this political battle is good as a matter of principle, and the fiercer the competition, the better. I hope, of course, that it will be an intense political battle that does not resort to various types of mudslinging, insults and so on. I very much hope we will be able to avoid this during the 2007 parliamentary election campaign.

I.KUNGUROV (Chita State Television and Radio Company): Vladimir Vladimirovich, I want to come back to the issue of mergers between the regions. A referendum will be held in Chita Region and the Aginsky Buryat Autonomous District on March 11 on uniting these two regions into one – Trans-Baikal Region. My question, in this respect, is: do you think this process of mergers will continue? What economic and political advantages do you think this will bring in the near future, especially for development of the Trans-Baikal and Far East regions? Is the merger of regions that receive federal subsidies and regions that are net contributors to the federal budget justified?

VLADIMIR PUTIN: I will be brief, as I have already answered this question. I think that such mergers are justified in cases where the social and economic situation calls for it. The budgets of regions that are subsidised by the federal budget will obviously benefit from such mergers, but this does not mean that at the same time the budgets of donor regions or regions with better economic results will suffer. As a rule, these self-sufficient regions will actually get an added benefit in the form of access to infrastructure, access to mineral resources and the possibility of carrying out major joint investment projects. This will give the federal authorities the possibility of making more effective investment in regional support and regional infrastructure development. This is all justified, but as I said, it can only happen if such is the will of the local people.

(XINHUA NEWS AGENCY, CHINA): Mr President, last year you opened the Year of Russia in China. What has this event given our two countries and how does Russia plan to organise the Year of China in Russia this year? I also have another question: China's president, Hu Jintao, will open the Year of China in Moscow. Our countries are strategic partners. In this context, what new areas of cooperation do you see for Russia and China?

Thank you.

VLADIMIR PUTIN: I think that major events such as the Year of Russia in China, which took place last year, and now the Year of China in Russia, cannot but have benefits because they involve direct contacts between our citizens. They give the opportunity for learning about promising new developments in science, education, culture, and they offer the chance for direct contacts between businesspeople from our countries. We have good political relations, relations that are developing very positively indeed. We have a mutual pull towards each other in the economy. We are mutually complementary in many production sectors, and this kind of cooperation should and can be continued in the future.

Bringing people closer together through big events of this kind also helps to create the necessary moral foundation, builds trust between our citizens and removes the unnecessary barriers that sometimes arise at the everyday level. Russia's people have always had a strong interest in China, in its great culture. I have no doubt that our Chinese friends will organise the Year of China in Russia in the best way possible, and our state agencies, the Culture Ministry and the Russian regions, will do everything necessary to ensure the best conditions for holding this event.

As for new directions for cooperation, they are, above all, investment activity and high-technology development in a broad range of sectors – both in civilian and defence cooperation.

O.IVANOVA (Nika Project Television and Radio Company): I am asking my question out of interest perhaps not so much as a journalist but as a mother. I have a five-year-old daughter, Nastya, and it matters to me, of course, what kind of country she will be living in.

Last week, First Deputy Prime Minister Dmitry Medvedev said that the maternity capital would be paid until 2050. But what guarantees are there that the current laws, including the law on the maternity capital, will be applied over the next 15-20 years and will not be abolished if there is a change in the country's leadership.

Thank you.

VLADIMIR PUTIN: I would like to come back to what I said earlier. You ask what guarantees there will be? What we need is for there to be responsible leadership, responsible authorities in the country after 2007 and 2008, authorities who will show that they are continuing the main elements of the policies the current leadership has put in place over these last years. This goes entirely for social policy, including the maternity capital and the whole package of measures aimed at improving the demographic situation. The future government, the future prime minister, president and State Duma deputies, should make it clear during their election campaigns exactly how they plan to apply yesterday and today's laws and decisions. The country's citizens and voters need to hear this, know about and remember it when they go to the polls. That is the only possible recommendation

As for the package of measures, this is not just the maternity capital but also a whole range of measures to support women who decide to have children, a first child, second child, third child and so on. Aside from the maternity capital, there are also maternity and birth payments that we have raised considerably. The childcare benefit for looking after children until they are 18 months old has been increased to 3,000 roubles, or by 40 percent of wages, but not more than 6,000 roubles. There are also the payments made to women who register during the early stages of their pregnancy. This is not a chance decision, but one that was made in order to encourage women to go to the doctor as soon as possible so that medical specialists can help women make the right decisions about giving birth to healthy children while maintaining their own health. We have increased the amount of money paid under the system of childbirth certificates so that medical professionals will have all of the medicines and vitamins they need to look after the health of women and their babies. We have decided that families having their first child will get a 20-percent subsidy, families having a second child will get a 50-percent subsidy and families having their third child or subsequent will get a 70-percent subsidy of preschool institution fees – fees for kindergartens and nurseries. Other decisions have also been made in this area. Incidentally, I would like to make use of this opportunity to say that, although the maternity capital takes effect only from January 1 of this year, the other social benefits I mentioned also apply to last year but are being paid out as from January 1 of this year. In other words, if a woman has a first, second or third child who is not yet 18 months old, she can now start receiving money under the new system, more money than under the old system. The health minister has informed me that these payments have begun being made since January 1.

A.GROMOV: Colleagues, the time the federal television channels have allocated to this live broadcast is coming to an end. I would like to thank them. It looks like we will continue our work. Let's take a question now from the newspaper, Vashi 6 Sotok. In the

past, live broadcasts of these conferences always began with a question from your newspaper, and let's have you end the event today.

A.TUMANOV (Vashi 6 Sotok): Vladimir Vladimirovich, I hope you are not fed up with my perennial question about dacha owners, owners of small garden plots and other little plots of land? As my colleagues have said, I'm never going to give up, anyway. Thanks in part, perhaps, to these press conferences, the law the public has dubbed 'the dacha amnesty' was finally passed. But though the law has been passed and has now reached the regions, very little has actually changed. Practically nothing at all. The situation remains the same. I had many requests to make of you. Is it possible to push for this law to be applied so that by 2008, at least, we will actually feel its effect? Thank you.

VLADIMIR PUTIN: I am aware of the problems involved in the law's application and enforcement, and I hope that it will be implemented. In cases where it is not being implemented, we will do everything to rectify this situation. It is not so much a question as a request that you expressed, a request for the law to be enforced. This was not an easy law to pass and it had a difficult birth process in the State Duma. But despite all the problems during its drafting it was finally adopted and I very much hope that it will work. I am not going to go through its provisions here, you are well acquainted with them yourself, but I am aware of the bureaucratic problems that arise with regard to all the provisions concerning simplification and so on. We will work to ensure that this law is implemented.

I.SOLOVYEI: (Ukrainian National Information Agency Ukrinform): Thank you, first of all, for the kind words you said about Ukraine. I don't even want to ask any questions about gas after that. I would simply like some clarification on another issue. What is Russia's attitude towards creating a gas transport consortium, and is Russia still interested in such a project? But my main question is about migration. Russian citizens are entitled to be on Ukrainian soil for up to 90 days without having to register with the immigration authorities. Will Ukrainian citizens in Russia retain this same privilege after the introduction of new immigration rules in Russia? Thank you.

VLADIMIR PUTIN: I will start with the immigration issue. We have passed amendments to our laws, and these amendments must be universal in their application. I do not recall exactly how this will affect Ukrainian citizens who come here to work or to visit relatives. But these provisions must be universal and we will try to ensure that they do not worsen the situation for people.

The recent changes made to the immigration laws aim, above all, at protecting the legitimate interests of Russia's own citizens on the labour market. At the same time, they also seek to ensure that immigrants can make full use of the rights that Russian law gives them in order to protect their interests if they are working in our country. It is only in this way, in my view, that we can end the negative consequences associated with migration flows into Russia.

Regarding the creation of a gas transport consortium, we are not opposed to the idea, if Ukraine wishes to come back to this matter. We know that government experts and experts in the presidential office are currently working on this and are looking for the optimum approach to implementing this idea for our Ukrainian partners. I do not want to set off intrigue, but as is often the case, the proposal our Ukrainian friends have made is revolutionary in nature. We need to think about it, but we are interested. I would like to meet soon with [Ukrainian President] Viktor Andreyevich Yushchenko and perhaps also with the Ukrainian prime minister to discuss their proposals that are currently being examined at expert level in Russia. The proposal concerns a merger of assets. Our Ukrainian friends not only want to create a gas transport consortium but also want the possibility of having a stake in production assets on Russian territory. As a rule, we do not do this. But we have accepted this as part of the relations we have developed with our European partners, with German company BASF, for example, and it is something we are in the process of completing with E.ON. We have also reached an agreement of this nature with Italian company ENI, and so why not also reach a similar agreement with our Ukrainian partners? We just need to work out what kind of stake and which assets our Ukrainian partners are interested in, and what our companies would receive. But this is an issue to be worked out and settled at corporate and expert level. From the state's point of view, there are no obstacles to carrying out an idea of this kind.

T.BOROZDENKOVA (Pskov News Agency): Vladimir Vladimirovich, it is no secret that alcoholism is a problem in many parts of Russia, including in my region, the Pskov Region. This situation leads to the spread of surrogate alcohol and a high rate of illness among the population.

What steps does the government intend taking to stabilise the situation in this area this year?

VLADIMIR PUTIN: A law on the sale of alcohol products has been passed. We have all seen the media attention, including in the electronic mass media, to the problem of poisoning as a result of drinking poor-quality alcohol. This is a real problem in our country. At the same time, the statistics I received at the end of last year show that, strange though it may seem, the number of poisonings decreased by 7,000 last year. There is talk in some quarters now of introducing a state monopoly on alcohol. The issue is not one of a monopoly, however, but of poor-quality products. There are a number of different approaches we could take. Some propose bringing the taxes on liquids containing spirits into line with taxes on alcohol used in beverages, while others say that this would lead to an unjustified rise in prices for basic goods. But we need to decide what matters more: basic goods or the nation's health. I am not pushing the government in either direction, but I think that whatever decisions were made must be enforced, and I think that we should make more active use of the forms of state regulation provided for in the law that was passed.

(BBC): Mr President, we would like to know your view on the Iranian leader's proposal to create a gas consortium or some kind of organisation similar to OPEC. You are going

to visit Qatar and Saudi Arabia soon, and these are both countries that also have large gas reserves. Is this visit about energy cooperation between Russia and these countries?

Thank you.

VLADIMIR PUTIN: A gas OPEC is an interesting idea and we will think about it. In this initial stage we agree with the Iranian specialists, with our Iranian partners and with some of the other countries that are large suppliers of fossil fuels, above all gas, to world markets, and we are already trying to coordinate our activities on the markets of third countries. We plan to continue doing so in the future.

We have no plans to create some kind of cartel, but I think it would be a good idea to coordinate our activities, especially in the context of achieving our main aim of ensuring certain and reliable supply of energy resources for our main consumers.

S.NIINIVAARA: (Helsingin Sanomat, Finland): There is a lot of talk in Finland at the moment about the possibility of Finland entering NATO. How would possible membership in NATO affect relations between Russia and Finland?

Thank you.

VLADIMIR PUTIN: This issue comes up every so often in various political and public circles in Finland. You know our attitude towards the expansion of military-political blocs in general and the North Atlantic Alliance in particular. We do not think this will help consolidate security in the world.

Finland is a full-fledged member of the Western community of countries and a member of the European Union. Bringing NATO's military infrastructure closer to Russia's borders by expanding it into Finnish territory will not improve relations between our countries, but what is more important is that today's threats are mostly in the area of fighting terrorism, drugs trafficking, human trafficking, organised crime and the proliferation of weapons of mass destruction and the means of their delivery. We can only resolve these problems by working together and outside blocs. As far as I know, the Finnish leadership shares this view. But the final choice, of course, is a matter for Finland's people and leadership.

I.MERZHOYEV (Ingushetia): Vladimir Vladimirovich, 2006 was indeed a successful year for Russia as a whole, as you said, and for many of the country's regions, including Ingushetia. Ingushetia has been described of late as being politically stable and developing rapidly. But our region is nonetheless the country's youngest region, and in this context, will measures be taken to put the regions on a more equal footing in terms of budget funding? Thank you.

VLADIMIR PUTIN: Such measures are already being taken, and you have probably already heard about them. I do not remember the exact figures, but approximately 23 percent of all the federal budget funding sent to the regions goes to the Southern Federal

District and above all, of course, to the republics of the North Caucasus. Ingushetia receives a considerable share of this funding. There are several areas of work. There is direct support from the federal budget and then there is also activity within the framework of the Investment Fund, aimed primarily at infrastructure development. I certainly hope that all of this work, including the implementation of the national projects, and in this area we should work together with the regions, will have a big impact on the situation in Ingushetia and in the entire North Caucasus. The main task, as we know, is to create new jobs.

But the attack against the mufti of Ingushetia – I follow events there closely – shows once again that the fight against terrorism and crime in our country is still far from over. It shows once again that the people who commit such crimes have no conscience, honour or religion. We will continue to work most actively to suppress the activities of such criminal groups.

T.SEDYKH (City FM): Vladimir Vladimirovich, once your term in office ends, will you stay in Moscow, or will you go back to St Petersburg?

VLADIMIR PUTIN: And where are you from?

T.SEDYKH: Moscow.

VLADIMIR PUTIN: Moscow is a fine city. I like it.

A.BELKIN: Andrei Belkin, Regional Television Broadcast Network, Novosibirsk. My question concerns legislation. I know that not only in our region but elsewhere too, there is the problem of widows and children of servicemen who have died in local conflicts. Today, the law has been changed and is interpreted as meaning that only families with children younger than 18 can receive benefits because they are placed in the same category as people living on their own. But as soon as a child turns 18, he automatically loses these benefits, no matter how many children the family has, and this puts the family in a desperate situation. My question then is: will there be state support for the widows and children of servicemen who have died in local conflicts?

VLADIMIR PUTIN: Such support is already being provided. You say that these benefits end when a child turns 18, but this is because in the eyes of the law children over 18 are adults, and this was what the lawmakers based themselves on. As far as I know, the information I have is accurate and the Defence Ministry, the Federal Security Service and the Interior Ministry pay a lot of attention to the families of their personnel who have been killed. I also try to keep informed on this situation. I admit that there are perhaps cases when the specific situation of this or that family has not met with an appropriate response.

As far as changes to the law are concerned, I am personally ready to support any amendments that would ensure the interests of the families of servicemen who have been killed, any amendments. All that is needed is for the lawmakers or the relevant agencies

to make justified proposals. I must say in general that we have a debt to these people, a debt to their families, because at the most difficult time for the formation of modern Russian statehood, they defended Russia with their lives and helped it to get through the most difficult period in its development. It is our sacred debt, and I think that lofty words are suitable here, to do everything we can to support the families of these people and to help those who have been injured or disabled.

O.TARASEVICH (Obozrevatel Weekly, Minsk): Vladimir Vladimirovich, what can be done to save the [Russia-Belarus] Union State?

VLADIMIR PUTIN: Why save it? All we need to do is work calmly and without getting emotional on resolving the issues before us through friendly and constructive dialogue. Our understanding of what the Union State should be is changing all the time, as you yourself probably know. We have heard on many occasions from the Belarusian leadership that they would like a union based on the Soviet model. But if this is the case, let's be honest about what this model entails. The Soviet Union was a super-centralised country. The republics had rights on paper, but in reality they had nothing at all. The Soviet Union was a centralised unitary state. So, when we heard these words, we said, 'well, in that case, why not become a part of the Russian Federation?' But then we heard another position, namely, the need to protect Belarus' sovereignty. We agree with this and we are ready to follow a road that would give the constituent parts of the future Union State full or partial sovereignty.

Taking the example of the European Union, I proposed using the EU as a model, but I was told that this is insufficient and that the union should be deeper. We need to decide what kind of union would suit us and our Belarusian friends and colleagues. It is no secret that ethnically and historically, we are almost one and the same people and though the Belarusian people has its own unique culture, of course, we do have many things in common, and I think we can all agree on this point.

But if the Belarusian leadership and the overwhelming majority of the people value their sovereignty higher, than let us look for forms of union that can accommodate this. But any kind of union, even the most liberal kind of union, such as the EU, inevitably entails the creation of supranational bodies of some kind or other, and inevitably leads to at least partial loss of sovereignty to these supranational bodies. We need to find the optimum form of cooperation and follow that road. We are ready to discuss any acceptable proposals for the formation of a union state - proposals acceptable to the Belarusian side. It is important only that these proposals not lead to any kind of chaos within our countries.

I remember the period of confrontation between the union parliament and the Russian parliament at the end of the 1980s or beginning of the 1990s. Neither we nor our Belarusian friends need that kind of chaos in our political lives. A serious and responsible approach is required.

Take a common currency, for example. It is an important factor for unity, in the economy at least, and if there is cause for concern, than let's not make hasty decisions. Let's think about the situation. But we would be willing to move forward in this area. We support it.

S.DVORYANINOVA: (Internet publication Nuclear.RU): The report by the high-level nuclear security cooperation working group (Bodman-Kiriyenko) was recently presented to you and President Bush. What is your assessment of this cooperation and its results since the Bratislava meeting? And what are the most important activities coming up in this cooperation?

VLADIMIR PUTIN: One of the biggest concerns that we hear both here and from our American partners is about non-proliferation of weapons of mass destruction. We find ourselves today in a difficult situation in which many countries want or plan to develop nuclear energy. But there is a very fine line between developing nuclear energy and non-proliferation issues, because it is very difficult to keep checks on uranium enrichment levels and ensure that uranium is not being enriched to weapons-grade levels. We have therefore both come up with practically one and the same initiative. It is set out a bit differently on each side, but the principle is essentially the same, namely, to create a network of international uranium centres that would ensure equal and democratic access for all countries wishing to develop nuclear energy. The same centres could be responsible for enrichment and for processing the spent fuel and nuclear waste.

We are making progress in this area, and not only with the United States. As you know, we have also signed agreements with Kazakhstan. The President of Kazakhstan responded very positively to our initiative and we are establishing a joint venture in this area and are inviting other interested countries to take part in this work.

N.MELNIKOVA (Nezavisimaya Gazeta newspaper): Good afternoon, Vladimir Vladimirovich. You have been asked a lot of questions about political parties today. I would like to ask you another such question. You said that the competition between Fair Russia and United Russia is a good thing. Do you think these parties should put forward candidates from among their members or people representing these parties in the presidential election?

And one other question: when you spoke with us in Shanghai, you said, or joked perhaps, that you would create an opposition party and perhaps head it yourself. If this is not a joke, or if it is one, who do you see yourself as after 2008?

VLADIMIR PUTIN: Now you all have really been pestering me. Who do I see myself as? I see myself as a person, above all.

As for the possibility of political parties putting forward candidates in the presidential election, this is something provided for by the law and I see nothing unusual in it. Candidates can stand independently, and they can also represent parties that are in the parliament or not in it, as the case may be. There are simply different procedures for getting the candidate to the stage of taking part in the election campaign in the different

cases, but it is all possible. If this is the case, then the election campaign will unfold accordingly. If the parties agree on some other approach and unite their efforts, this is also a possibility, and perhaps not a bad one. Everything is up to them.

TSIOLIAS ATHANASIOS (Mega Channel, Greece): Vladimir Vladimirovich, you have not mentioned our little pipeline from Burgas to Alexandroupolis. We have been hearing about this pipeline for 15 years now. Will it actually be built? We were promised that the agreement would be signed by the end of December, but now we are being told that only the protocol will be ready in February. Or will someone always get in the way? And who is getting in the way? Some people are saying and even warning us that we should not build this pipeline and say that we will have constant friction with Russia, as Ukraine and Belarus do.

And one more clarification concerning this pipeline: I realise that you are not planning to step down ahead of the end of your term in office but... (liveliness in the hall) Please understand me correctly, I simply read the critical view that you have already packed your suitcases and are ready to run. I think it was the chess player, Kasparov, who said this. Is this the case? And will this pipeline be built while you are in Russia or not?

VLADIMIR PUTIN: I practiced judo in my time, not field-and-track, and I have no intention of running anywhere. (Laughter).

As for the Burgas-Alexandroupolis oil pipeline, I did not mention it because it does not exist yet. So far, there are only discussions about this project. We support this project. We think that it is an important project, a priority project, for our consumers in Europe. We do need to move away from any kind of monopoly on transit. But if our Greek and Bulgarian partners cannot resolve the problems on their side, then we simply be forced to increase the possibilities for transit via the territories of other countries.

Why do I think this pipeline is of interest not only to Russia, Bulgaria and Greece? Because we and our partners in the Caspian Sea region are suppliers, while our main consumers are in Western Europe, and Bulgaria and Greece are members of the European Union, and the European Union in my view, therefore should be very interested in carrying out this project. But instead, we are seeing endless bother. Please don't get angry, and please excuse me, but this bother and fuss we are seeing over this project is not in the national interests and the economic interests of either Bulgaria or Greece. If we build a pipeline via another country, this project will never go ahead because the oil we plan for it to carry will have to end up taking another route, and this will be the case for years to come and Bulgaria and Greece would thus lose the chance to become a transit country for oil and gas from the Caspian region to Europe. I think the need to reach acceptable agreements as soon as possible is absolutely clear. We have already set out our proposals. I have the impression that work is now drawing to a close not only in Greece, but in Bulgaria as well, and I hope that this will be the case very soon.

V.KUZMIN (Rossiiskaya Gazeta newspaper): Vladimir Vladimirovich, I would like to come back to certain plans of our international partners. The United States has proposed

building missile defence and radar location stations in Poland and the Czech Republic, and Ukraine is also being looked at as a possible site for these installations, it seems. You have always spoken in favour of a rational and reasonable distribution of arms development in the world. Going by your response to the question my Finnish colleague asked, you do not consider this U.S. initiative rational and reasonable it seems. Do you think this is perhaps a response, a counter reaction, to the restoration of our own military strength, which is something we do not hide and that is recognised now in the world? And perhaps it is also a response to our activities on the international arms market, which the United States is also not very pleased about. There have been precedents and even cases of imposing sanctions on our companies.

Thank you.

VLADIMIR PUTIN: Sanctions are still being imposed, ever new sanctions that are being imposed. In our view, this is unfair competition. Yes, it is true that we have established a serious position on the arms market and that we plan to increase our activities in this area. This is normal competition on the world markets and there is nothing so strange about it. The U.S. plans to deploy a missile defence system are not in any way linked to the rise in Russia's military strength because they were announced long before we began to demonstrate this increasing strength. As I said in my Federal Address last year, we still spend 25 less on defence than the United States. But we certainly do need to reflect, of course, on how to ensure our external security. Our responses will be asymmetrical, but they will be highly effective.

We already have systems that can penetrate missile defence systems. As you know, our new Topol-M missiles are equipped with just such systems. But this is not all. We will have new generation systems of a completely new type that will have absolutely no trouble penetrating missile defence systems, because missile defence systems are designed to protect against ballistic missiles, while what I am talking about are strategic weapons systems of a completely different type that will fly at hyper-sonic speed and will be able to change trajectory both in terms of altitude and direction, and missile defence systems will be powerless against them.

But our military specialists do not think that the missile defence systems the United States wants to deploy in Eastern Europe are aimed at countering threats from say, Iran or terrorist groups of some kind. What is the connection between terrorists and ballistic missiles? Do terrorists have ballistic missiles? The trajectories of missiles launched from, say, Iranian territory, are already well known. And they do not have ballistic missiles either. They have medium-range missiles. I do not remember exactly how many missiles they have now – 2,000, maybe, or 2,400.

We think therefore that these arguments do not carry much weight. This does directly concern us, of course, and it will lead to an appropriate response. As I already said, our response will be asymmetrical, but it will be highly effective.

N.YEVSEYEVA (Akhtuba TV, Volgograd): Vladimir Vladimirovich, war veterans in Volgograd are outraged by the Estonian parliament's decision to dismantle memorials to the soldiers who liberated Estonia in World War II, and have proposed that the remains of Soviet soldiers be reburied in the sacred soil of Stalingrad, which is a city that knows how to honour the memory of fallen soldiers. The city and regional authorities support this proposal, but it is you who has the final word on this complex political issue. An official request has not yet been sent to you, but, running ahead, could I ask your view on the possible reburial of these remains at the Mamayev Kurgan monument in Volgograd if the Estonian authorities do go ahead with dismantling memorials. Thank you.

VLADIMIR PUTIN: I have already made my view known. I think this is an ultra-nationalist and very short-sighted policy that does not take into account either the fight against Nazism or the reality of today's situation. Many countries in Europe have memorials to the soldiers who liberated Europe from Nazism, and these memorials not only stand but are also looked after. It is shameful to say that sometimes they are even looked after, including in Germany, better than we look after our own such memorials here in Russia. Incidentally, I agree with the war veterans who say that we should also pay attention to German burial sites here in our country. The veterans' organisations make their own decisions together in this respect, and we will support them in their cooperation with European veterans' organisations.

As for the possibility of reburying the remains, veterans of the Great Patriotic War live in the Baltic states too, and they should also be asked if they think it right that we transfer this memorial of our common fight against Nazism to our soil. But if the situation does indeed reach the point where memorials are dismantled, we are ready to propose to the Estonian leadership that the sacred remains of our soldiers be reburied on Russian soil.

Y. IBRAGIMOVA (MiR Moscow and the Regions Information Agency): My question is about the Affordable Housing national project, which you said was the most problematic of all the national projects. What problems do you see in this area? Given that, as we know, the regions are used to receiving subsidies and assistance from the federal budget, it is hard to readjust. What can the regions expect in this respect? Will they receive some assistance or incentives from the Russian Government, or will they have to rely on their own authorities' ability to attract investment? Thank you.

VLADIMIR PUTIN: What is needed is a combined effort by the federal and regional authorities. We discussed this matter in detail at the last State Council Presidium meeting in Kazan. We need to support housing construction enterprises, free them from unnecessary tax burdens and free them also from unjustified amounts of repair work. We need to develop infrastructure, above all engineering infrastructure, and we need to make additional funds available to companies willing to build these infrastructure facilities. But this should all be done in common.

In this respect, it is very important to define our territorial development priorities at regional level too. Look at what is happening in the area of fundamental construction, what kind of fundamental construction is going on and where the money is going. Look

at budget revenue and expenditure. All the decisions have already been made and now we only need to act. The same goes in large part to removing red tape in making plots of land available. We have already spoken about this matter. Now we need to get on with our work.

Overall, although this is the most complicated of the national projects, as I noted at the beginning of today's discussion, we are seeing the start of a construction boom. The amount of housing coming onto the market has doubled from 7.6 percent to 15.7 percent. This is a good result. It is the construction sector and the services sector that have pushed GDP growth to the level of 6.7 percent last year, or perhaps 6.8 or 6.9 percent. We need to support this process and we will take all steps to do so.

R.AGAEV (Trend Information Agency, Baku, Azerbaijan): Salam Aleikum, Mr President.

VLADIMIR PUTIN: Aleikum assalam.

R.AGAEV: Vladimir Vladimirovich, does Moscow intend taking more active steps to end the Armenian aggression against Azerbaijan and help Azerbaijan, its strategic partner, resolve the main problem that has arisen from this humanitarian disaster, namely, the return of around one million refugees and displaced persons to their native regions currently under Armenian occupation?

And a second question: what is the political and economic motivation behind maintaining Russian military bases in Armenia?

Thank you.

VLADIMIR PUTIN: These Russian military bases remain from the Soviet era. They were permanent bases for military units back in the Soviet years. In those former Soviet republics where the leadership has decided in favour of our military units remaining in place, we have done so.

This is the case not only in Armenia but also in Tajikistan, for example. Our 201st Division remains stationed there, but we have brought the relevant legal agreements up to date and have established a military base there. This is also the case of our military aviation unit in Kyrgyzstan, stationed there as part of the joint fight against terrorism. It looks like a new unit, but in fact it is based on a unit that was already deployed in Kyrgyzstan earlier.

I want to stress in this respect that the Russian military base in Armenia is not directed against any other countries in the region, and is not directed against Azerbaijan's interests. I recall the discussion I had with Mikhail Nikolayevich [Georgian President Saakashvili] during the time when the situation was tense in Adjara, and he said, 'we are worried that your military personnel there could carry out some kind of behind-the-scenes intrigues, and this would hinder us in pursuing our policy and forming our relations in

Adjaria'. I said to him then, 'this won't happen. You will see'. Later he confirmed this and thanked me, saying that he did indeed see that our military personnel did not intervene in any way in the events that took place. The same applies to our base in Armenia.

As for the issue of a settlement in general, this is a complicated matter. We are trying to help both Azerbaijan and Armenia come to a mutually acceptable solution. But it is you who must make the decisions. We cannot impose kind of solution on you. If we were to try to do this, try to impose a solution, we would risk spoiling our relations with either the Armenian or Azerbaijani people for good. This problem should not be laid on our shoulders. You yourselves must find a mutually acceptable solution.

Leaving more serious matters aside, we are very concerned, of course, by what we are seeing in the Akdam District. We were just talking before about the problem of poor-quality alcoholic beverages, and as we know, port from Akdam was always one of the cheap and common light alcoholic drinks in the Soviet Union. It would be good to restore Akdam and its production, whether the Armenians or the Azerbaijanis do it. It would be good if you could do it together and make it a common project.

We need to end now.

You have a question about the real sector of the economy? That is an important question. What is your question, specifically?

VITALII AGEEV: Good afternoon. My name is Vitalii Ageev. I represent supplement Machinery to the magazine Expert.

We talked about oil and about energy in general. You mentioned machine construction a little bit at the beginning. You hinted about the United Aviation Corporation. But what about machinery and professional equipment for industry? In the Russian market up to 90 percent of these products are exported. When can we change this?

VLADIMIR PUTIN: That is a very important question. Very important. I talked about positive changes and they also exist in the real sector of the economy you mentioned. But there they are much more modest. While there is 15,7 growth in the building sector, the year before last there was only four percent growth in industry and in 2006 it will also be about four percent. Of course in this connection you mentioned the key, fundamental and crucially important sectors.

I already briefly mentioned what the cabinet has done recently. They are making decisions to adjust the tax system and to change customs legislation and practices, its normative base to ensure the reequipment of fixed capital. This is a very important task. Many sectors of the economy, many enterprises reacted to what the cabinet did over the past few years. These are purposeful acts that, however, may not always be sufficient. But what would I like to draw attention to now?

I talked about this just yesterday with the Economic Development Minister and with the Prime Minister; there is the possibility to use a direct dialogue to remove the barriers that prevent us from renewing the industrial base. We must do this right now, because a favourable external economic environment is the best moment to do so and it cannot last for ever. We both understand this. I think that it will still continue for quite a long time, but not forever. For that reason we must do this immediately.

In Russia, because of the old industrial base labour productivity is growing quite half-heartedly, well, not half-heartedly but it would be desirable to have better growth rates of productivity. We will once again have 5,5 percent, the same as last year. We need more, even twice more, but this is difficult to do without updating the industrial base. Using this opportunity, I call on shareholders and heads of enterprises to immediately take advantage of the opportunities that the cabinet is offering.

A. KUFTINA (Kreml broadcasting company, Nizhny Novgorod): Vladimir Vladimirovich, people are now examining the issue of raising the level of the Cheboksarsky water reservoir from the 63rd mark to the 68th. It turns out that much land and even towns can potentially be flooded. This particularly concerns Nizhny Novgorod because, as you know, it is on the high and low banks of the river and for that reason the lower part of the city would be flooded. As well as the underground, which people need. Have you taken some kind of decision on this issue or not? I know that you are considering this issue.

VLADIMIR PUTIN: Yes, strangely enough, I really do know what is happening there. The question is really very important. There are two options, two possible ways to resolve the problem. We need to raise the water level to ensure navigation on both sides of the river and to resolve the energy problems. What you said is an important factor in making the final decision. Of course the question is first and foremost an environmental one. We have discussed this issue more than once with the Governor and cabinet members. The final decision should be made in dialogue between the Governor and the cabinet, and this is being considered now. I do not want to anticipate these final decisions. They should be carefully worked out with regional leaders and with the leading departments of the government of the Russian Federation.

ALEKSEI GROMOV: Colleagues, let's not use the force of our vocal chords – everybody has different ones.

VLADIMIR PUTIN: Where the Armenian journalists? Let's have them. Because journalists from Azerbaijan have asked a question. If we pass over the Armenians it would be politically incorrect.

GOAR BOTOIAN (Avantguard newspaper): Thank you. This is already the third time that you allow me to ask a question, the third time – thank you.

VLADIMIR PUTIN: A certain vibe.

GOAR BOTOIAN: What is your evaluation of Russian-Armenian relations, and I mean both political and economic ones? And the second question: what large investments are planned in Armenia? And what are your feelings about the Armenian people?

Thank you very much.

VLADIMIR PUTIN: We have the very best relations with the Armenian people. Our relations are developing in all directions – in politics, in the economy, and in security because Armenia is a member of the Collective Security Treaty Organisation. And as to large investments, they will be in the energy sector. As is well known, we have started determining prices with Armenia according to market principles but part of the market price has been covered by financial titles. We are participating in the construction of a gas pipeline from Iran, in energy networks in Armenia, and in water engineering. But of course this is not enough.

The President of Armenia was recently on a working visit to Sochi and raised certain issues. This includes the diamond sector and producing goods for second processing. We are implementing a financial stakes programme linked with the debt and intend to reanimate the enterprises that certain Russian companies obtained. In general, you know that in practically all directions our relations are developing in the most active possible way. It is even difficult for me to think of any sector where we would have insoluble problems today. We did have a difficult energy dialogue but nevertheless found solutions that were acceptable to both sides.

QUESTION: Today we spoke a great deal about the priorities of the Russian economy, and also about updating enterprises' industrial capital. A question about the Far East, an economic problem in the Far East. Many governors, deputies and heads of industrial enterprises in Siberia and the Far East have said that the below-cost prices abroad, in China in particular, take away our logs, take away scrap metal, and create certain difficulties for the development of industry in the Far East and advantages for the development of industrial enterprises in the Asian-Pacific region.

If it is obvious to everyone that by raising tariffs the Far East will be able to develop its industry and attract additional investments, why this not done at the federal level?

VLADIMIR PUTIN: I agree with you that little has been done at the federal level to ensure that the raw materials we have can be processed in Russia. This also concerns fish, for we should certainly establish coastal processing installations. This also concerns wood and other raw materials. But I was also a little bit surprised because despite my consistent instructions say, on wood, the cabinet has delayed resolving these issues. In general the decisions are now ready. We cannot make them according to the regions – they must affect all our contracting parties and partners. For that reason these decisions have not yet been made.

But we must make a signal to the market. All our partners must understand that there will be some kind of transition period but that, after this, if they want to use Russian raw

materials then they need to transfer the corresponding amounts of manufacturing onto the territory of the Russian Federation. We have done something similar with machine construction and automobile construction. And look at what is happening. Practically all global producers are coming to Russia and are even readjusting their initial plans for manufacturing light duty automobile equipment in Russian territory. I very much expect that the same will happen in the Far East.

Lipetsk, please go ahead.

QUESTION: Good afternoon. Vladimir Vladimirovich, thank you very much for giving me this opportunity. We have never been able to ask you a question in person. A question about economic development. Today in the Lipetsk region there are regional zones along with the federal economic zones. Agroindustrial, industrial production, tourist and recreational zones are already being established. What is your opinion on this and how can the federal centre help the regions in this respect?

VLADIMIR PUTIN: I didn't understand, my opinion on...

JOURNALIST: On creating not only federal special economic zones, but also regional ones.

VLADIMIR PUTIN: What characterises these special economic zones – recreational, industrial, or scientific and technical zones? What characterises them? It is a special administrative, customs and tax regime and, as a rule, these are all federal components.

If regional authorities are ready to follow the lead of the federal centre and to offer a regime within their sphere of responsibilities, then they could possibly provide preferential treatment within the existing legislation that lies in the region's sphere of competences. Why not? I nevertheless think that it would be expedient to coordinate this with the cabinet so that we work in a united way and according to uniform rules – that is the most important thing. And in general this is no bad thing. The main thing is that we do not establish offshore black holes on the territory of the Russian Federation. But it is not possible to do this at the regional level without using federal powers and this is already a stage that has passed.

EVGENIIA FILATOVA (Information resource Your Personal Internet): The Russian system of providing psychological help is not effective enough and does not use modern technology as much as it could. In turn, this is reflected in the constant increase of depression and suicides. In connection with this: are you examining the issue of creating an Internet service for psychological help at the state level?

VLADIMIR PUTIN: You mentioned a very important issue, though the number of suicides in Russia is, thank God, not the highest in the world. But the problem exists and is acute enough. Unfortunately this service is generally weak in Russia. And it is true that we must act in this area. And I hope that your question will push the corresponding

administrative structures and, of course, first and foremost the cabinet and the ministry of health to move in this direction.

ALEKSANDR LEBEDEV (Narodnaia initsiativa): Good afternoon, Vladimir Vladimirovich! I would like to ask a question which concerns very many people, many students. After the terms for conscript service changed there were once again instances where, shall we say, independent actors threatened recruits and their parents. And the most important thing, the most dangerous thing is that I am referring to college students, who are in the middle of their studies, in third and fourth years. They are told: “We are going to take you away and you will only study after you serve in the army”.

Please use this opportunity to explain whether it is true that deferrals from service really have been cancelled or will people get the chance to finish their studies?

VLADIMIR PUTIN: You know, it is necessary to look closely at the decisions that have been made and use your opportunities, the opportunities provided by the media to simply talk about them in detail – everything is written there. Nobody who studies will be taken away.

Of course a number of deferrals of service have been abolished, but far from all. And it is understandable why this was done. Because we passed to one and a half years of service in 2007 and, as of January 2008, we plan to pass to one year. We are actively working within federal target programmes to transfer a significant number of servicemen – slightly more than 130,000 people – to contract service. We already have no recruits in regions where there are, to put in mildly, difficult situations, in so-called hot spots, and we won't send them there in the future. But it is necessary to serve. Still, this does not mean and will not mean that people will be taken out of classrooms and sent to the army.

QUESTION (State television and radio of the Islamic Republic of Iran): Dear Vladimir Vladimirovich! Excuse us because you are certainly already tired, but we have the following question: how are you preparing to work with western colleagues to convince them to resolve the so-called Iranian nuclear problem by exclusively peaceful means and through negotiations? Thank you.

VLADIMIR PUTIN: We are going to work with western European partners, American partners, but also with Iranian partners. We hope that the trip that the Secretary of the Security Council of the Russian Federation, Mr Ivanov, recently made to Iran will help bring our positions together and convince our Iranian partners to make decisions that would improve the situation, revitalise relations between Iran and the IAEA, and remove the international community's suspicions about any plans Iran ostensibly has to create a nuclear weapon.

As you know, we cooperate with Iran in civil nuclear energy – we are constructing a nuclear power station in Bushehr. We intend to keep implementing this programme. Our cooperation with the Iranian party is developing in many different directions, including in the military technological sphere. We believe that the Iranian people have the right to

access to modern technologies, including nuclear technologies. However, we need to find a way to develop the nuclear sector that would, on the one hand, completely guarantee that Iran has access to technology and, on the other hand, eliminate the concerns of the international community. Such possibilities exist, and Mr Al Baradei is proposing these options. I think that we need to continue working together in this direction.

ELENA DEREVTSOVA (State broadcasting company Kuzbass): Greetings from the miners of Kuzbass. Last year they extracted more than 170 million tonnes. It is a record in the whole history of coal extraction. We have talked a lot about the energy sector today and I have a question. Coal remains slightly more than 15 percent of Russia's energy sector even though both you and the cabinet have said more than once that we need to increase the share of coal in the domestic market and gas in the export market because this would be more profitable. Please tell us what is preventing this policy from being implemented?

VLADIMIR PUTIN: The pricing and tariffs policy that have been carried out until now. There is no need to search for enemies here. This is the government's economic policy: when the tariffs for gas are much lower than the market prices then what you just described will continue to happen. But the decisions that the cabinet made to align these tariffs are designed to balance the country's energy market. And they are designed to induce the main and, first and foremost, industrial consumers to conserve energy in general. They are designed to make our economy generally more competitive and to protect it from any possible catastrophes. I am confident that if we proceed carefully and protect the interests of household consumers – and I already mentioned the possible forms and types of such protection – when talking about population, then this will be implemented far later than 2011, perhaps 2015 or even later. And only with developing a system to support the people, a system of subsidies for the population. Of course this will be positive for miners. And the energy resource that Russia has a great deal of will be more in demand in Russia itself, especially since there are modern ways to process coal in gaseous conditions. We all know that this process is environmentally sound. But as I already said, there are the problems linked to pensions in this sector. Just yesterday there were miners' representatives with the cabinet. I know about how the discussion proceeded. I think that we are aware of all the aspects of this sector's development and we will continue to be so in the future.

QUESTION: Vladimir Vladimirovich, thank you very much. I had the luck to be born in Armenia. We are able to ask a question from central Russia for the second time in the third press conference. Thanks to your support the Lipetsk region is actively implementing the project of special economic zones. Already in May 2007 new factories will start operating in the special industrial economic zone, Lipetsk. I would like to use this opportunity to invite you to this event. And from Lipetsk we have the following question...

VLADIMIR PUTIN: I think I have already been there.

QUESTION: The Lipetsk region is a donor for the federal budget. In essence, it is the hen that brings the golden eggs. However, today the relations with donor regions at the federal level are such that, on the one hand, there are less and less such regions, and on the other hand, they often cannot allow themselves to do what subsidised regions and districts can do. A question: will your attitude towards donor regions change, will anything change at the federal level? And I would like to know from you personally whether you accept the invitation to visit the Lipetsk region for the opening of the first factories in Russia's first economic zone? Thank you.

VLADIMIR PUTIN: Thank you very much for the invitation. The most important thing is not my visits but whether all the plans are implemented. And I will try to see that all that is planned is realised. As to your question about relations with donors, you were right to say that it is the hen that brings the golden eggs. Along with that there are many representatives from regions that receive subsidies here. And they certainly have and, I think, already have asked questions about how the federal authorities plan to support them.

I want to draw your attention to the fact that in the Soviet Union productive forces were relocated according to a unified plan but, well, this was not always justified. And this is not the fault of Russian citizens that live in subsidized regions, wherever they are. It is not them that brought about this situation. For that reason we need to adjust budgetary support, investments, and create jobs there, or else this situation will continue forever – and neither of us are interested in that. This is done through the federal budget. Such problems are also being resolved through federal target programmes. And there is one more instrument that we did not invent but that we started to use, and that is the Investment Fund. Incidentally, we are actually taking some of the financial resources that go into the Stabilisation Fund and sending them to Investment Fund with the goal of developing infrastructure in the regions of the Russian Federation.

We should certainly think about stimuli for donor regions and we should not extinguish these incentives. Of course, this is the business of the Finance Ministry, the Economic Development Ministry, and the Regional Development Ministry.

As to the Lipetsk region and other regions, you said that it is often impossible to execute your obligations while realising programmes together with the federal centre. Probably such difficulties do exist. But I don't know the details of the income and expenses of the Lipetsk budget. Look at the expenses and income carefully and look at how much money is going into capital construction. Look. Then send Gromov your data. And I am almost sure that we will see an increase in expenses for constructing capital.

What does that mean? That means that the deputies of the regional assembly and the Governor must define priorities, namely what is important for the Lipetsk region. Is it more important to implement national programmes, including the national projects, and solve social problems today or is it more important to spend money on constructing capital? You must look at what objects are being built.

I repeat that I don't know but I think that I am on the right path.

Look.

QUESTION (St Petersburg): Thank you very much. I have a question not about St. Pet. but one that concerns all of Russia. It concerns communal services and the private sector. One of the reforms of housing and communal services involved bringing the private sector into this field, including to manage available housing. Unfortunately, there are not more than 100 companies that work in this market in Russia today. The thing is that municipalities create their own companies and these companies receive contracts through tenders, and then private business is squeezed out of the market. Is it possible for the federal government to intervene in this situation?

VLADIMIR PUTIN: There is possibly something within the competence of the federal authorities, but a significant share of the responsibility and the main share of the responsibility still lies with the municipal authorities and partly with the regional authorities – I am referring to the influence that regional authorities have at the municipal level. I already mentioned this. I was just recently in Tatarstan. The organisation of housing and communal services in the Republic acts as an excellent example. There are modern information technologies, a high level of service provided, and authorities are removing red tape and monopolies from the market. But it must be the local authorities that do this.

SULTAN GALBATSOV (Democracy newspaper, Chechen Republic): In the Chechen Republic more than 70 percent of the available labour force is unemployed. In light of the positive results of the amnesty and the region's importance, could you please tell us, Vladimir Vladimirovich, what measures are being foreseen to create new jobs? Thank you.

VLADIMIR PUTIN: First of all, I would like to point out that the present government and the Prime Minister of the Chechen Republic were able to accomplish a great deal lately. I watched how the present government worked in Chechnya attentively. I must say that what is happening there is even unexpected. We are witnessing the mobilization of citizens living in Chechnya and there is an obvious desire for a religious peace, to restore order, for discipline, the rule of law, and economic revival. And there are simply visible results of this effort. But of course we still have a lot that we can and must do. We have the corresponding programmes to develop the productive forces. I must say that today the Chechen Republic receives more from the federal budget than other regions in the Russian Federation, including regions in the Northern Caucasus. We intend to continue this policy in the future. I am not going to go into detail here because it would simply not be interesting for everyone (I know it involves a brick factory, cement, and so on). We are going to support what is called for, expedient and agreed upon with the federal authorities.

DARIA EMELIANOVA: (Pravda Severa, Arkhangelsk): Dear Vladimir Vladimirovich! The Mayor of Arkhangelsk is going to run for President of the Russian Federation in the next elections.

VLADIMIR PUTIN: My congratulations.

DARIA EMELIANOVA: He has already held some press conferences in Moscow where he talked about his programme, in particular about the national programme Struggle Against Poverty. But in his native region he is increasingly often called to the Office of the Public Prosecutor and everything is being checked, even his secondary school certificate.

VLADIMIR PUTIN: When he becomes President then he will give them good thrashing.

(Laughter.)

DARIA EMELIANOVA: Can I finish?

VLADIMIR PUTIN: You can.

DARIA EMELIANOVA: And the regional administration has also expressed its disapproval about the Mayor's presidential aspirations. Please tell us your opinion about self-promoted presidential candidates among city mayors and why is it that in connection with these declarations there was a natural pressure put on Donskoi in the region?

VLADIMIR PUTIN: I think that it is connected not with the fact that he is self-promoted but most likely with his relations with the Governor. And difficult relations between the municipal and the regional authorities exist not only in Arkhangelsk. But I think that the people who have the authority must first and foremost keep in mind the interests of the citizens that live in this territory and who have entrusted them to manage the territory in which they live.

ELINA BILEVSKAIA (Nasha Versiia na Murmane): Thank you very much, Vladimir Vladimirovich.

As you know, last fall Gazprom declared that it would be the only company to develop the Shtokman deposit but then new talks began, there was a new round of talks with our western partners, and Statoil and Hydro even decided to merge so that they could participate in this project. I would like to know what the new conditions are and whether this is not proof that developing this oil deposit is being postponed for another, later time?

And I would also like to know: last year you said that you would probably not head Gazprom. Have you thought about what you want, what you will do after 2008?

(Laughter.) Thank you very much. And I would also like to invite you to Khibiny to go skiing in our region. We are waiting for you.

VLADIMIR PUTIN: Thank you very much. What is your name?

ELINA BILEVSKAIA: Elina.

VLADIMIR PUTIN: Good. (Laughter. Applause.) Are you inviting me personally or on behalf of the citizens of Murmansk?

ELINA BILEVSKAIA: Both personally and on behalf of the citizens of Murmansk. (Laughter.)

VLADIMIR PUTIN: Thank you.

And now, if we are going to be serious then we can say that the Shtokman deposit is unique and one of the largest deposits in the world today. Gazprom really did declare that it will be the only one to develop it. So that is true but this does not mean that Gazprom does not want to cooperate in implementing this project. This implies that Gazprom reserves itself the right to involve foreign partners in a given way – as project operators, consultants and so on. There are many possible options. This affects both of the project's components, that is gas extraction and transforming gas into so-called pipeline gas, including deliveries under the Baltic Sea to the main consumers in Europe, and liquefied gas. Gazprom has not rejected that either. The volumes are such that they will allow us to work in both directions and especially since this will give us the opportunity to diversify our resources and volumes.

I do not think that Statoil and Hydro merged simply to participate in this project. This reflects the present tendencies for consolidating companies in a sector of the global economy. As a matter of fact, we are also going down this path. I think that it is the correct one.

It is Gazprom's business to determine when it will agree with its foreign partners and in which capacity it will involve them. I know that Gazprom is studying the opportunity to invite foreign partners to participate in the liquefaction project and in extraction on the shelf of the Barents Sea, because extraction in quite difficult conditions is complicated, requires knowledge, skills, and technology. Some of our foreign partners have all this. Of course our Norwegian partners have the chance of being invited into this project. I shall repeat that at the end of the day it is the company's business.

STELLA ZVEREVA (State broadcasting company Lotos, Astrakhan): Vladimir Vladimirovich, it seems to me that all recent statements from the federal authorities concerning poaching in the Caspian Sea are merely declarations. People from Astrakhan initiated a draft bill that provides for putting in order and stabilising the fishing sector, among other things - establishing a united supervision structure and destroying products of poaching. But this bill somehow fell into the depths of governmental structures.

VLADIMIR PUTIN: I agree.

STELLA ZVEREVA: Will something be done in this area? Are we going to put things in order?

VLADIMIR PUTIN: The depths of the government are as deep as the oil and gas reserves of the Russian Federation, and it is certainly true that things sometimes vanish there. But I assure you that this law will not disappear, even though I have already been talking about it for two years. This only bears witness to the force and financial means of the people who are preventing the corresponding decisions from being taken. I support the proposal from Astrakhan and I promise you that we will finish this business.

ALEKSANDR SILAEV (Vechernii Krasnoyarsk): May I draw you away from serious issues? I have the following naïve question: Vladimir Vladimirovich, can you call anyone your friend? And if so, then who is this person, who are these people?

VLADIMIR PUTIN: Do you want their addresses and coordinates? (Laughter.)

Of course I have personal friends. As a rule they are people from my student years, from childhood, and colleagues from my previous employment in the security services and in the St Petersburg City Hall. Just like everyone else I have a small but nevertheless a circle of friends and I value it very much.

SVETLANA TSYGANOVA (Impulse newspaper, Zelenogorsk, Krasnoyarsk region): Vladimir Vladimirovich, there are several nuclear power stations that are being constructed in Russia today and the first-ever floating station is under construction in the North. Meanwhile there are several nuclear installations in Siberia and at the same time there is a new large-scale development wave in this territory. Can you please say whether a nuclear power station will be built there?

VLADIMIR PUTIN: I charged to the cabinet to prepare a plan of the location of energy generating installations in Russia, including nuclear energy. You certainly know that the corresponding financing decisions have been made. They are large-scale financial resources. And of course Siberia is one of the priority regions to implement these projects. For example, there are corresponding enterprises and there is staff in Tomsk – simply to use it as an example – and there is the need to increase energy capacities. We are perfectly aware of the fact – and have spoken about this many times – that the absence of the necessary energy capacities will act as an obstacle to the country's economic development. We have already collided with this in Moscow, in St Petersburg and in western Siberia. But in light of the plans to develop eastern Siberia, the plans to develop the Far East, of course we cannot proceed without nuclear energy. The question is where and how soon we will erect these installations. This is the cabinet's business, the business of the corresponding departments, and these decisions should be taken in dialogue with the heads of regions of the Russian Federation.

TATIANA STAVNICHNAIA (Sarov): Our city, one that you visited, is well known both as the city of science and defense and as one of the centres of Orthodoxy. A question in

connection with this. As the President of Russia, what is your opinion of Orthodoxy's role in the country's future? And the second question. What strategy is there in nuclear and military sectors?

VLADIMIR PUTIN: These themes are closely connected because both the traditional faiths of the Russian Federation and Russia's nuclear shield are two things that strengthen Russian statehood and create the necessary conditions for ensuring the country's internal and external security. And it is therefore possible to arrive at a clear conclusion as to what the state's attitude should be towards these two areas, both today and in the future.

Many thanks for your attention.