

PRESIDENT OF RUSSIA VLADIMIR PUTIN: Good afternoon, friends and colleagues,

It is my pleasure to welcome you to this event that has now become a tradition. I would like to begin as usual by summing up the results for 2007.

I will have to give a few figures. I will be brief, but I will repeat some of the figures I have already quoted, and I am happy to do so because 2007 was a successful year. It is enough to say that, as you already know now, our economy grew by 8.1 percent, and this is one of our best results over these last years. Calculated on a purchasing parity basis, our economy has grown to a size that now puts us ahead of G8 countries such as Italy and France. Russia's economy is now the seventh biggest in the world (according to data from international experts).

Real incomes have increased by 10.4 percent and wages are up by 16.2 percent. Real pensions have increased by 3.8 percent. This is higher than inflation but pension increases are still lagging behind wage growth. We have therefore decided to increase the insurance part of pensions by 12 percent as from February 1 of this year, and this part of the pension will undergo a further increase of 7.5 percent on April 1, while the basic part of the pension will be increased by 15 percent as from August 1 of this year. I stress that we will keep very close watch at the same time on developments in the inflation situation. The Government will unquestionably keep its eye on the situation and adjust pensions in accordance with inflation.

Our demographic project is going ahead successfully. I am particularly pleased to see the results in this area because a lot of people doubted that our proposed demographic measures would be effective in any way. Some people thought this was an impossible situation to deal with. But the birth rate dynamic in 2007 was at its best for the last 25 years and more children were born than in the last 15 years. What is especially important and especially pleasing to see is that we achieved one of the goals we set, namely to increase the number of families having a second or third child. The number of such families rose by 10 percent (from 33 percent to around 42 percent). As we promised, we are indexing all benefits in this area, including the maternity capital.

As you will recall, the maternity capital was initially set at 250,000 roubles. This year it will be 271,000 roubles and we are planning for a sum of around 307,000 roubles in 2010 depending on the inflation situation. I would like to assure our citizens that the state will continue to ensure strict fulfilment of all of its obligations in this area.

One of the biggest and most serious problems we face is that of poverty. In 2000, more than 30 percent of our population was living below the poverty line, but I am pleased to be able to say that this figure had come down to 17.7 percent in 2005, 15.3 percent in 2006, and was lower than 14 percent in 2007. The number of unemployed people has also dropped and I think we now have around 4.3 million unemployed.

Industrial production shows a good growth dynamic. Industrial output growth did not exceed 4 percent in 2005 and 2006, but last year it went up to 6.3 percent. The processing

sectors have shown particularly good results and some sectors are growing very fast indeed, not just the service sector, but also areas such as construction, which was up by around 20 percent, and housing construction, which posted an even higher increase. Really, we are now seeing something of a construction boom underway in the country.

Investment in basic capital was higher last year than at any time in the last eight years and came to 21.1 percent. We did not see such a figure even back in 2000, when the economy grew by 10 percent. Net capital inflow to the Russian Federation totalled \$82.3 billion last year – two times higher than the figure for 2006.

Our country is consolidating its financial situation. Our foreign currency reserves increased by \$170 billion and we are now close to reserves of half a trillion dollars, \$478.6 billion to be more precise, according to the latest data. There has been a slight decrease due to changes in the dollar's exchange rate. The Stabilisation Fund now comes to 3.84 trillion roubles. Russian banks have ridden out the liquidity crisis without much trouble. The stock market index increased by 20 percent, which is slightly less than last year, but last year saw a record result. In general, the Russian stock market is growing at record rates – 20 percent is a decent figure.

We are also well aware of the problems. Chief among them is inflation. We have not yet managed to bring inflation fully under control. Inflation grew by more than what we had planned for. Our forecast was for inflation of 8.5 percent, but instead we had 11.9 percent. Bringing down the inflation rate in this and the coming years is one of our biggest priorities, a priority for the entire Government and national leadership, especially for those in charge of the economy.

That is all that I wanted to say for a start. I will not tire you with long monologues and numbers. Please, begin with your questions.

PRESIDENTIAL PRESS SECRETARY ALEXEI GROMOV: Good afternoon colleagues, let's begin now.

KOMSOMOLSKAYA PRAVDA NEWSPAPER: Your second presidential term is coming to an end now. What do you think was your biggest achievement and your greatest failure over these years?

VLADIMIR PUTIN: I do not think there were any serious failures. To start with the second part of your question, we reached the goals we set and we accomplished what we set out to do. There are some things we probably could have done more effectively. I just mentioned the inflation problem, for example. Inflation could have been lower perhaps if we had concentrated our efforts more intensively on this task, mobilising not only the country's economic officials but also public and political organisations. Why do I say this? Because inflation is an issue that concerns state spending, and the whole issue is about ensuring that all state spending is justified, for if we let spending get out of hand and do not keep it under control it inevitably has an impact on the inflation situation, as we all know. But we also need to look at the objective facts. The inflow of private capital

that I mentioned before is partly speculative in nature (I am not using this term in any negative sense). These are people playing the markets and they have every right to do so. Moreover, the Russian economy has to a certain extent become something of a haven for international capital. We offer a stable economic and political situation and this attracts capital. But all of this has an impact on inflation, as does the large number of petrodollars. Overall, the Central Bank and the Government are managing to keep the situation under control, though there probably are additional steps we could have taken.

In the fight against poverty, as I already mentioned, the dynamic is positive. Here too we could have done more, especially as far as pensioners are concerned. The way that pensions for people who worked during the Soviet period, that is, until 1991, were calculated was not the best method. We will have to come back to this problem and take real steps to improve the pension situation for our citizens.

As for the results we have achieved and the things I see as positive, I will not list everything now. I think that our results are well known and I have already spoken about them on past occasions. Our country was not united and we did not even have a real national anthem. Each of the different regions had its own constitution that differed from the Constitution of the Russian Federation. We restored Russia's territorial integrity and unity. We rebuilt the state. Through our efforts people's incomes have reached and even surpassed pre-reform levels. Mostly importantly of all, we have rebuilt the Russian economy, placing it on an absolutely new market-based foundation. We are making steady progress towards becoming one of the world's economic leaders.

Only a few countries have achieved such rapid growth in securities and assets over the last twenty years. These are above all Asian countries such as Taiwan, Malaysia and Singapore and also to some extent Thailand and China. Russia has now joined these ranks and this is a great achievement.

As for my personal feeling, I am not ashamed to stand before the people who twice gave me their votes and elected me to be President of the Russian Federation. I have worked like a galley slave throughout these eight years, morning till night, and I have given all I could to this work. I am happy with the results.

NEZAVISIMAYA GAZETA NEWSPAPER: When you were first elected president you likened yourself to a manager hired by the people to run the huge 'Russia Inc. Corporation'. In your heart, do you think you are a good manager, have you always made only right decisions, and do you think the 'client' is happy with your work?

VLADIMIR PUTIN: I more or less just answered this question. I am happy with the results of my work. I think that the 'client', the Russian people, the voters who twice gave me their votes in presidential elections, is satisfied overall. This is backed up by public opinion surveys and by the current level of support expressed for the President of the Russian Federation.

As I said, our biggest achievement is to have rebuilt Russia's economy on a new and modern foundation, and this is reflected in people's incomes. Incomes are growing by 10-12 percent a year, and, as I said, wages grew by more than 16 percent over the last year. People should see these results reflected in their own pockets, and I think that this is something we have achieved. Though, of course, all of these wonderful figures, these macroeconomic indicators such as economic growth and so on do not always translate into improvements in life at the individual level. Still, no one can accuse us of not addressing this problem and not trying to improve living standards. The implementation of the national projects is evidence that we are indeed working hard to ensure that our economic results benefit people at the individual level.

Finally, we are not clinging to the past but are looking to the future, and I think this is also very important. You no doubt heard my speech at the expanded meeting of the State Council, at which I spoke of the need for innovative development. The whole problem, after all, is that we have achieved much over these last eight years, but if we continue on the same road we will come to a dead end. There are certainly past achievements of which we should be proud, but we must also think about the future, set new goals, ambitious new goals, and map out the roads we will take to achieve these goals. In other words, we are looking to the future and I think this is very important.

MOSKOVSKY KOMSOMOLET'S NEWSPAPER: There have been a lot of calls for you to seek a third term in office over these last two or three years. There were no doubt attempts to influence you on this issue including by your entourage. What did you say in private conversation to the people who proposed changing the Constitution, and how great was the temptation to give in to these appeals and stay for a third term?

VLADIMIR PUTIN: I prefer to keep what I said in private conversation private; that is what private conversations are for, after all. Given that we have a big audience today with practically all of the world media and the Russian regional media present, I will reply in more official language.

I never felt any temptation to seek a third term in office. Right from my first day as President of the Russian Federation I decided that I would not violate the Constitution. This was something instilled in me during my time working with Anatoly Alexandrovich Sobchak. I think this sends a very important signal to society in general, namely, that everyone, from the head of state down, must respect the laws in force. I think this is a matter of principle, not a technical issue.

Of course I want to keep working, but such opportunities exist.

It is in people's nature to form dependencies on various things. Some people become addicted to drugs and others to money. It is said that most addictive of all is power. I have never felt this. I never have been the kind of person to become dependent on anything. I think that if God has given me the good fortune to work for the good of my country, and I have always felt a real connection to my country, I should be grateful for this opportunity, which is in itself the greatest reward. I think it is completely unacceptable to

seek further reward or to try to hold on to power, to imagine that once you are in the top seat you should have the right to stay there until the day you die.

Russia should be a democratic state under the rule of law, and this means that all of its citizens, including its leaders, must respect the law.

VLADIVOSTOK NEWSPAPER (Primorsky Region): We know that a state programme for the resettlement of Russians from abroad has begun. One of its goals is to attract people to the depressed regions of Eastern Siberia and the Far East. But with the situation as it is at present no one is coming to the Far East: life is too expensive there and there are too many inconveniences and too few opportunities for realising one's potential. What is the state going to do, if anything, to try to stop the exodus of people from the Far East?

VLADIMIR PUTIN: This issue preoccupies not just you but many of our citizens. It is also of great concern for me. We are indeed seeing a decline in the population of Eastern Siberia and the Far East. The population continues to fall and the measures being taken have not yet brought the expected results. I have repeatedly come back to this issue over the last 5-6 years. There is a development programme for the Far East, a federal targeted programme. We plan to hold some major international events in the region, including the APEC summit, which will take place in Vladivostok. We plan to put considerable federal resources into developing this region, above all into infrastructure development.

Of course people in the Far East should enjoy the same economic situation and perhaps even better conditions than people in the European part of Russia. Attempts have always been made to give people incentives to stay in the region, ensure comfortable living conditions and give them economic incentives to stay. This includes things such as prices for electricity, heating and transport. This might look like a not very market-based approach, but we will have to offer some kind of preferential treatment in these areas. I will stop at this for now, but I can say that we are looking at what we can do in this area and are reflecting on the measures we can take to ensure better living conditions for our citizens in the Far East.

FOX NEWS CHANNEL, USA: My question concerns your words about retargeting nuclear missiles against Ukraine if Ukraine joins NATO or becomes part of the missile defence system. Condoleezza Rice called it yesterday deplorable and unacceptable rhetoric. Would you take back these words or comment on them? Also, does the fact that a Russian bomber made a low flight over the aircraft carrier Nimitz signify movement towards confrontation between the military in our countries?

VLADIMIR PUTIN: No, there is no confrontation on the horizon and I hope that there never will be. Incidentally, I can tell you that our American partners have held four military exercises, if I recall rightly, very close to the Russian border in the Alaska area. The United States' strategic aviation has never stopped its patrols, including along Russia's borders over the last 15 years, although we ended patrols by our strategic aviation in remote areas back around 1987. But our American partners never ended their

patrols. At the expert level, our American colleagues reacted completely calmly to the renewal of patrols by our strategic aviation and no one saw any aggressive signal in this step, and rightly so. All this signals is that our Armed Forces have greater possibilities now and that we will continue to train our pilots, give them experience, and improve our military equipment, including our aviation. How can we do all of this without flights? We will continue this practice. That is the first point I want to make.

Second, regarding the possibility of retargeting missiles, I will of course comment on this situation and I am grateful to you for raising this issue. We will not target our missiles against anyone unless there is the extreme need to do so.

Take a look at what kind of situation we are talking about.

I have no doubt that there are people among you today who would appeal to democracy, freedom and so on. Democracy is a universal concept and it cannot be local (that is, you cannot apply democratic principles in one place and forget about them entirely in another). If a country considers itself democratic it has to be democratic in every way, in every manifestation, both at home and on the international stage.

What is democracy? We all know that democracy is government by the people. Our American partners are looking to deploy elements of a missile defence system in Eastern Europe, a radar station in the Czech Republic, and interceptor missiles in Poland, and these plans look like they will indeed go ahead. But who asked the Czechs and the Poles if they actually want these systems on their soil? According to the information I have received, the vast majority of Czech citizens are not enthusiastic about these plans. Our General Staff and our experts think that this system represents a threat to our national security. If this system is established, we will be forced to make an appropriate response. In such a situation we probably would be forced to retarget our missiles against the sites that represent a threat. But it is not we who are creating these sites. We are asking that this not go ahead, but no one is listening. We are giving a clear warning right from the start that if you take this step this is the response you can expect from us. No one asked the Czechs' opinion. It was simply decided to carry out these plans and that is that. Moreover, even NATO was not asked. Only after criticism came from Moscow did attempts begin to start coordinating this issue within NATO itself.

As for the situation in Ukraine, according to the information I have, the overwhelming majority of Ukrainians oppose joining NATO. But the Ukrainian leadership has nonetheless signed a certain document on starting the accession procedure. Is this democracy? Were the country's citizens asked their opinion? But if this is the way things are being done, without anyone's opinion being asked, then perhaps bases could also be established there in the future and missile defence system components deployed there. And what are we to do? In such a situation we would be obliged to target our missiles at these sites that we consider a threat to our national security. I think I have a duty to say this frankly and honestly today, so that no one in the future can try to offload the responsibility for such developments in events onto our heads. We do not want such

developments in events. We are simply speaking honestly and clearly about the problems we see, that is all.

VESTI RESPUBLIKI NEWSPAPER (Republic of Chechnya): People in the Republic of Chechnya associate the positive changes that have taken place in our republic over this short time with your name, but many are worried that the constructive policies being carried out in Chechnya could change after your departure.

Also, our people would like you to come to Chechnya. We were expecting you when you visited the Northern Caucasus. If you have time, please come and pay us a visit.

VLADIMIR PUTIN: Thank you. First of all, I promise that I will come.

Second, concerning the positive changes, they are above all the work of the Chechen people themselves. You know how to work and you are working effectively. The republic's leadership is concentrating its financial resources, both federal and local resources, on resolving the key problems affecting the social well-being of all people in the republic.

I am very happy with the changes we are seeing. No one can say of Grozny now that it looks like Stalingrad in 1943 or 1944. The changes really are visible to all. But there is still a lot of work to do. Above all, there is a need for new jobs. Unemployment is still very high in the Caucasus. The Chechen leadership and the republic's president, Ramzan Kadyrov, have big plans. I will meet with them and we will be discussing all of these different projects. I assure you that development in the North Caucasus in general, in Chechnya and throughout all of Russia will continue unhindered. It is absolutely clear today that our people want to continue this positive course that we have been following over the last eight years. This is the guarantee of our future success.

TV-CENTRE TELEVISION CHANNEL: The presidential election is just around the corner. Why did you decide to support Dmitry Anatolyevich Medvedev in particular?

VLADIMIR PUTIN: As you know, Dmitry Anatolyevich Medvedev was nominated by United Russia, A Just Russia and a number of other public organisations and parties. I was indeed happy to give my backing to this nomination and support Dmitry Anatolyevich Medvedev as candidate for president of the Russian Federation.

As I have said before, I have known Dmitry Anatolyevich for a long time now and I am sure that the experience he has gained over his years of work in Moscow, as chief of staff of the Presidential Executive Office and first deputy prime minister, and his personal and professional qualities are the guarantee that he will be able to work successfully in this, the country's highest office. He is an honest and decent man. He is young, progressive and modern, has an excellent theoretical background and good organisational skills gained through his work here in the capital. I am sure that he will be a good president, a worthy president and an effective manager. Aside from everything else, I trust him. Quite

simply, he has my trust. As I said at United Russia's congress, I can feel confident and unashamed about handing over the main reins of power in this country to such a person.

XINHUA NEWS AGENCY MOSCOW BUREAU, CHINA: How do you see future relations with China?

VLADIMIR PUTIN: China is one of our main strategic partners and this is something confirmed by our work together over the days and the hours. Our trade with China is growing very fast. This is an important aspect of our cooperation but it is not the most important factor. More important is that the relationship of trust between Russia and China is an important stabilising factor in the world. We see how the Chinese people and the Chinese leadership nurture and look after relations with Russia, and this is something we value very much. We have far-reaching plans for trade and investment cooperation and for developing high-technology production and working together in the space sector, defence and military-technical cooperation. China is one of our biggest partners in the area of military-technical cooperation. We see how rapidly China is developing its own high-technology base in this area. China is one of the few countries with whom we have established trusting cooperation for the long term, perhaps even decades ahead.

I have absolutely no doubt that we will maintain this level of trust between our two countries and take our cooperation to new heights, above all in the economy. One of the serious issues we need to work on together is that of environmental cooperation, including as regards the use of rivers in the border area. But we see that despite the difficulties, including technological difficulties, our Chinese partners are seeking solutions to these problems, respond swiftly to technological incidents and disasters, attempt to minimise the consequences and are ready to look for new forms of cooperation that would prevent such incidents in the future. No one is ever completely guaranteed against such events, of course, but working together on addressing environmental issues will be one of the most important areas for our two countries over the coming years. With the good will of both countries we can resolve these problems, and the good will is there in both China and Russia.

SHEST SOTOK NEWSPAPER: Land relations are a very broad and fundamental issue. Maybe this is an issue that should be dealt with not by ten different agencies but by one agency working on a comprehensive and permanent basis?

VLADIMIR PUTIN: Yes, these functions are indeed somewhat dispersed between the different institutions, agencies and ministries. There are two possible solutions: either to create a position of a vice-prime minister and assign to him responsibility for this whole set of issues, or concentrate all of these different issues within a single agency.

If the situation turns out as I hope and a president is elected whom I support, and if a government is formed accordingly and I have the opportunity of heading this government, we will take one of these two roads. I agree with you that we need to focus our administrative possibilities on resolving these issues and we will do this.

RUSSIA TODAY TELEVISION CHANNEL: How do you think relations between Russia and the United States will develop once you and George Bush are no longer in office, and who do you think will win the U.S. presidential election?

VLADIMIR PUTIN: The winner will be whoever puts forwards the most effective programme that meets the American public's demands and succeeds in clearly convincing the majority of voters that their programme is the best. Whoever wins, we will, as they say in such cases, respect the American people's choice and work with whoever becomes president, if, of course, the new president wants to work with us.

As for the future of relations between our two countries, I have no real doubts on this point. No matter what is said during election campaigns, the fundamental interests of Russia and the United States will inevitably prompt the leadership in both countries into developing a positive dialogue as partners at the very least.

The United States is one of Russia's biggest trade and economic partners. Only by cooperating with each other can we effectively fight terrorism, strengthen the weapons of mass destruction non-proliferation regime, combat poverty and infectious diseases. These are all global problems that we can only hope to resolve if all the world's leading countries join forces. I have no doubt that this is clear in the minds of the leadership in both Russia and the United States. I am sure that these fundamental ideas will serve as the guideline for the presidents in both countries, no matter what their names (not that the personal aspect is without importance, but the fundamental significance of our relations is more important).

POLISH TELEVISION: What will happen to relations between Russia and Poland if elements of the missile defence system are deployed in Poland? And a second question: many Poles are worried about Russia's return to superpower status, given the historical experience. What can you do to assure Poles that a powerful Russia is not a threat to countries such as Poland?

VLADIMIR PUTIN: I do not think that we should heap ashes on our heads and turn to self-flagellation in an attempt to prove to all how good we are. Russia is not behaving aggressively and is not fixated on the difficult moments in the history of our bilateral relations. Russia thinks that we need to look to the future and draw on the positive pages in our relations, and this way we can expect success.

Concerning relations with Poland in particular, I would like to point out that we have not taken a single step aimed at creating difficulties in the relations between our countries. We have made no such moves. Yes, we decided to build a gas pipeline across the Baltic Sea. I do not understand how this could offend Poland. This is our gas and we want to sell it to our main consumers in Europe. We already built a gas transport system across Polish territory. We carried out this work together and we pay the transit fees on time and supply Poland with all necessary energy resources without any restrictions whatsoever. There have not been any interruptions. Indeed, in previous years, based on the take-or-pay principle, our Polish partners ended up taking less gas than what they had contracted

for, and in principle, Gazprom had the right to impose penalties, but we did not do this and looked for other solutions to the situation. In other words, there have been no restrictions and we will not impose any restrictions in the future. But our position is that we need to diversify our supply routes for delivering energy resources to our main consumers. What is bad about this? Is there anything anti-Polish here? Why such a reaction? Where does it come from? To be honest, I was really quite surprised.

As for problems such as the meat imports issue, this is not a Russian-Polish issue. I discussed this with Mr Tusk [Polish Prime Minister Donald Tusk] when he visited. This is more of an issue between Russia and Europe. The issue here is that agriculture in Eastern European countries receives large subsidies from European financial sources and produce is then dumped on the Russian market. This is stifling the development of our own agriculture sector. There are also some specific issues. For example, we are carrying out a national rural development programme and have been offering various incentives to the agriculture sector such as making loans available. Many agricultural producers have taken out these loans and now it is time to repay them, but to repay them they need to sell their produce and they cannot do so on the domestic market. We can either continue to toss accusations each other's way or we can sit down at the negotiation table and sort out the issue, examine the motives behind our actions and take each other's interests into account. In this sense, Poland could act as the conduit for our common interests in the European organisations. What we need to do is not trade accusations with Poland but join forces to protect our interests in the face of richer countries. We face a situation in which on the one hand we have the problem of subsidies and dumping of agricultural produce on our market, and on the other hand we see that the Polish authorities are not always managing to deal with the flows of smuggled goods coming in from Latin America and Asia, and we clearly have to respond somehow.

As I said, we need not to aggravate our relations but to look for solutions. I had a very constructive, businesslike and substantial dialogue with Mr Tusk and I hope that this will continue to be the case. As for the missile defence issue and so on, it seems to me that this issue is closely linked to economic concerns. I have the impression that someone is deliberately fanning an anti-Russian mood in order to create the moral and political climate for deploying these systems. If you stir up anti-Russian sentiment in Poland it will be easier to convince the public that they need some new weapons systems or other supposedly for their protection. In reality it is not clear where the threat is coming from. They say it is Iranian missiles that are the threat, but we all know that Iran has no such missiles.

I discussed this matter too with the Polish Prime Minister. If such systems are deployed on Polish territory or attempts are made to use them to neutralise our nuclear missile potential, this would upset the strategic balance in the world and would be a threat to our national security, and we would have no choice in such a situation but to take countermeasures, including possibly retargeting our offensive missile systems against the sites we consider to pose a threat.

We do not want to do this. Would this obstruct development of our relations in other areas? I do not think so in principle, but the level of security in Europe would be lower, of course. Frankly speaking, I do not understand why anyone needs this. No one is retargeting any missiles at the moment and we are all developing our relations. Yes, sometimes we have disputes, sometimes we argue, but then we cool down, get together again and begin tackling our common problems, and all without targeting any missiles against each other. Why change the situation for the worse?

I hope very much that we will have a constructive dialogue with our Polish colleagues and American partners on all of these issues and that we will be able to take each other's concerns and interests into account.

NTV TELEVISION CHANNEL: In your outline of Russia's strategy through to 2020, you promised that Russia will become the most attractive country to live in. At the same time, you said that the state administration is not ready for this task, that it is corrupt, excessively bureaucratic and lacks motivation. Who then will provide you and the future president with the needed support base for achieving these goals? Do you plan to head United Russia once your presidential term is over?

VLADIMIR PUTIN: I have no plans at the moment to head a political party. As for my support base, you and the other citizens of our country will be my support base. Of course, this will not be easy with the administrative system in its current state. Coming back to the start of your question though, you said I made this promise. I did not promise anything. I said that this should be our goal, that this is the kind of Russia I would like to see, that this is what we should aspire to. I am certain that we can achieve this goal but we still have a lot of work to do first. We need to resolve at least two big problems. One of these problems is that of diversifying our economy and achieving innovative development. In this respect we need to increase labour productivity, perhaps by as much as a four-fold increase. Another very important problem is that of fundamentally improving the state management system at every level, from the municipalities and up to federal level. In other words, we need quality change in the economy and in public administration and governance. We need to work on both of these issues as we go along. Is this possible or not? Of course it is possible. The fact that in a number of sectors we are still at quite a low level of development even creates an opportunity in that we can jump straight away over several stages as other countries have done.

If we provide tax incentives for upgrading production facilities, for example, this gives producers the chance to buy the very latest equipment, purchase the most advanced and efficient technology, and this will help to dramatically increase labour productivity. To achieve this we also need an educated and healthy labour force, of course, and this means that we must invest in healthcare and education. If we take a comprehensive approach to resolving these problems and do not just make declarations, we will most certainly achieve our goal.

I remember the joke back in the 1980s: We were promised communism by 1980 but we got the Moscow Olympics instead. The goals we are declaring today, however, are based

not on wishful thinking but on real calculations and real analysis of the Russian economy and its development prospects in the medium and long term.

KOMMERSANT NEWSPAPER: You have unveiled your strategy for the period through to 2020. Dmitry Medvedev will announce his plan for the next four years in Krasnoyarsk tomorrow. Could these two plans not come into conflict with each other?

And a second question: at the start of 2000, you spoke of a 'pleasant sense of responsibility'. Could you repeat these same words now, eight years later? Are you tired of power or do you enjoy it?

VLADIMIR PUTIN: You spoke now about a sense of responsibility, and indeed, responsibility can sometimes be a heavy burden because you have to make decisions that no one else can make, and they are far from always easy decisions. Of course I worry about all of this, like any normal person. These are decisions that affect the well being and situation of millions of people, decisions that sometimes affect the lives of specific individuals in the country. No one else can make these decisions. There are many bosses, but ultimately, it is the head of state who has the final word. This is a heavy moral burden and it is the situation faced not only by the president of the Russian Federation but by the leader of any country, big or small. Do you imagine that Bush has an easy time? You may laugh, but his country has huge responsibility in the world, perhaps even greater responsibility than Russia, given the greater possibilities his country has. And when he makes decisions on matters both domestic and international, no matter whom he consults, the decisions are nonetheless his decisions. We may not always agree with them, but this is a complex process, including at the emotional level. This sense of responsibility therefore has always been with me. Moreover, in my practical work I have always been guided above all by my sense of responsibility before my own people. I think that this method of making decisions on social issues and security matters has never let me down.

You asked if I think that our plans could come into conflict with each other. Whatever they say that we have shaped the political landscape in Russia to our desires, there are many people who do not agree with what we have done over these last eight years and who do not agree either with our development plans. But, taking a serious look at this criticism and at the situation, it seems to me that there is nothing constructive and no depth to these arguments. No one has proposed anything more real and substantial. Dmitry Anatolyevich [Medvedev] and I are well aware that the line of attack against us will be at once personal, political and economic. There will be attempts to find differences in our approaches. There are always differences, but over the more than 15 years that we have worked together we have become used to listening to each other. As President, I never felt it beneath me to listen to the views of specialists and I often adjust my own views under the influence of respected colleagues when I see that what they are saying is correct, constructive and justified.

As for my relations with Dmitry Anatolyevich, what he will set out in his speech in Krasnoyarsk is essentially a continuation of the strategy that I outlined at the expanded meeting of the State Council. His address will complement, give concrete form to and

build on these proposals for developing the country, not over the next decade, but over the next four years.

CHANNEL ONE: The OSCE Bureau for Democratic Institutions and Human Rights (OSCE-BDIHR) and the OSCE Parliamentary Assembly have declined to send their observers to monitor Russia's presidential election. Is this some sort of ultimatum to Russia, an attempt to pressure Russia, or is it something not worth worrying about?

VLADIMIR PUTIN: I don't think anyone is tempted to make ultimatums to Russia today. We think that the OSCE in general is long since ripe for reform. I want to stress that Russia respects in full all of its obligations within the European organisations, including the OSCE. The documents we signed state that the Russian Federation will invite OSCE representatives to monitor our elections, and we do just this. But the documents say nothing about how many people we need to invite and for how long. The BDIHR officials are putting forward their own terms, and these are terms Russia has not signed up to. This is a matter of principle for Russia. We will not allow anyone to impose conditions of any kind upon us, but we will respect all of the agreements we have signed. This is one of the most important and fundamental principles of international law. The country has a duty to respect the agreements it has made, but it is not bound to abide by conditions imposed from outside. We have invited 100 observers and we are ready to provide them with every opportunity to carry out their work. They think 100 is too few. Do they need to come here a year in advance, three weeks in advance or what? They seem to have a lot of demands. They send 16 observers to one country, 20 to another, see no need for any at all in a few countries, while they take a schoolteacher approach to some countries.

REUTERS: You, Russia's most influential politician, have agreed it seems to become prime minister under a Medvedev presidency, that is, you would take a post that is subordinate to the president. How do you plan to use your political influence after the elections? Are you willing to play the number two role under a Medvedev presidency?

VLADIMIR PUTIN: I think I have already received one present and even two presents from the Russian people and perhaps from God, when I had the honour and pleasure of working as head of the Russian state. Under our country's Constitution, this term is my final term. It is coming to an end now and rather than lamenting the fact that I can no longer work in this capacity I should be happy that I now have an opportunity to continue serving my country in a different capacity.

The Constitution gives the Government many opportunities. The Government is responsible for forming the budget and presenting it to the parliament. It is responsible for the budget report and for forming the foundations of monetary and credit policy. The Government is in charge of resolving social, healthcare, education and environmental issues, creating the conditions for ensuring our country's defence and security and carrying out our economic and trade policies abroad.

The President is the head of state, guarantor of the Constitution, and sets the main domestic and foreign policy guidelines, but the highest executive power in the country is in the hands of the Government. There are enough powers to go around and Dmitry Anatolyevich [Medvedev] and I will divide them between ourselves and build up our personal relations, if the voters give us such a chance. I can assure you that there will be no problems in this respect.

ROSSIA TELEVISION CHANNEL: I have question on the national projects. What have they achieved and what has not been achieved? Will there be a national project for culture at some point? Will they continue, and who will oversee them if Dmitry Medvedev, who is currently in charge, becomes president?

VLADIMIR PUTIN: For a start, regarding the question of who will oversee them, as you know, there is a Presidential Council for the National Projects chaired by the president. If Dmitry Medvedev is elected president he will also become head of this council. There are no difficulties in this respect. Moreover, as the person already overseeing the implementation of these projects he is best informed on their state of progress and can act most effectively to influence the implementation process. Within the Government, one of the deputy prime ministers or even the prime minister could be responsible for the national projects. I do not see any problems here.

As for the future of the national projects, they will continue of course. Some of them will undergo some transformations and the regions will gradually take on more and more of the responsibility for aspects of their implementation, and will at the same time receive federal financing for this work. This is most important. I want to stress that the federal authorities are not going to simply abandon these different areas of work but will continue to actively support and finance these projects.

As for the idea of increasing the number of national projects, what we did was to take the most serious social problems we face, problems that, like the demography issue, had reached a point where there seemed to be no solution. Already back in the Soviet times people used to say, for example, that if you want to dig a hole under someone all you need to do is put them in charge of agriculture. But Medvedev did not take fright and has tackled this work. Now we are seeing the result: clearly visible progress in all of the different areas.

Look at what has happened with loans for the agriculture sector. Look at how production has increased. I visited Belgorod Region and looked around and it really lifted my spirits. It is one thing to read the reports and another thing to see it with your own eyes, to see the latest agricultural technology, the latest agricultural and livestock methods, to see that people have bought the best of what Europe has to offer, have learned to use it, and it is working. This is creating the conditions for achieving a four-fold increase in labour productivity. This is an opportunity for us.

What about healthcare and demography? No one thought we could achieve what we have. Our birth rate is growing faster now than at any other time in the last 25 years. We

are achieving the goals we have set. But we cannot keep expanding the number of national projects or we will be quite simply swamped.

I do agree with you, however, that culture is an area that should receive greater attention and we will do this.

FRANCE PRESSE: Under your presidency Russia has grown stronger in many ways. Would you agree that the personal factor has played a part in this? And if you answer positively, do you believe such a situation is good for the state mechanism?

VLADIMIR PUTIN: There are two important things to remember when speaking of the part the personal factor can play in achieving results: know how to set ambitious goals and objectives and do not complain at every turn. Leaders of countries do not have this privilege. If they spend their whole time complaining about how bad everything is and how hard it is to get anything done, this is exactly the result they will end up with. But if you set ambitious goals and objectives based on real analysis, and if you work purposefully towards these goals and mobilise society and the state behind them, you will achieve them. This is what we have done. This is a very important factor.

As far as our state authorities and public organisations go, I think that we have made a lot of headway in strengthening the federal basis of our state. The country's regions now function more effectively. We have carried out a genuine decentralisation of power right down to local self-government level. Not everything is functioning in full yet perhaps, but it will all start to work, even within the medium term. We have transferred to the regional and municipal authorities not just new responsibilities but also new financial possibilities. Now we have to wait and see how this all works in practice. If the resources turn out insufficient for the level of powers, we will look at how to find additional sources of financing in order to make the regional and municipal authorities more responsible for the results of their work. This is a very important factor.

Another no less important factor is that of strengthening the multiparty system. There has been debate about the 7-percent threshold parties have to reach in elections to qualify for seats in the State Duma, but I think that consolidation of the different political parties has a positive impact overall on our political system's development. Look at the situation in Ukraine where the threshold for entry to the parliament is 3 percent. Do you like what you see there? How can they ensure the political stability needed for economic and social development?

Democracy is not a street bazaar. Democracy is the chance for the people to influence their country's development through political organisations. Big parties that have real connections with the people and with the regions can do this in a way that establishes the conditions needed for the country to be able to grow and reach its goals. In this respect I think we have made serious progress towards strengthening the basic foundation of Russia's statehood.

STUDIA 1+1, UKRAINE: Have you gained a greater understanding of Ukraine and its actions following your meeting with our president, Viktor Yushchenko? What is your assessment of Russian-Ukrainian relations over these last eight years, and why do you think they have been so difficult?

VLADIMIR PUTIN: Yes, I have gained a greater understanding because Viktor Andreyevich [Yushchenko] and I had a very substantial discussion, and I say this without any irony. We took a very detailed and frank look at all of the different areas of our relations. It seems to me that Viktor Andreyevich also understood the motives for our behaviour regarding this or that issue. I think that our Ukrainian colleagues, including the President, seek a constructive dialogue with Russia and are ready to look for solutions to any problems. I would not dramatise the fact that problems do arise. We are each other's closest neighbours and the relations between our countries are very extensive indeed. It is inevitable that problems sometimes arise. This has always been the case and always will be. The question is whether we want to find solutions or whether we decide to aggravate the situation. I have the impression that the Ukrainian leadership is committed to finding solutions to these problems.

As for the overall development of our relations over these last eight years, I think that we could have achieved more. There has been a lot of political froth in our relations. We have spent many years arguing about the gas transport system and Ukraine has very much politicised this issue.

In Ukraine, they don't want us Russians to get our hands on the gas transport system, but we have already long since given up this idea. We just want the system to function normally. What we proposed was to establish an international consortium with the participation of European partners, and this consortium would raise resources (we are talking about billions of dollars) not just for the transport system's technical maintenance but also for its development. The system itself, meanwhile, would remain the property of Ukraine. What is wrong with this proposal? The same goes for gas prices. We want to sell our gas at market prices but we are going about this in a calm and unhurried manner. We have decided to introduce market prices for energy resources on our domestic market too. Energy will still be cheaper on the Russian domestic market even so because we can subtract the export duties, transport costs and so on. But the principle is one and the same. I am very pleased to see that the Ukrainian leadership and above all President Yushchenko understand this. It was precisely with President Yushchenko that we succeeded in reaching an agreement a few years ago, and in Moscow he once again reaffirmed his position. I think that if the same constructive approach can be applied to resolving other problems then relations between Ukraine and the Russian Federation will most certainly be set to grow.

INTERFAX: You said we need to develop both large business and small business. It is almost impossible now to develop small and middle business. Do you think that a council should be set up, a government council rather than a presidential council, to resolve the problems facing business, both big and small? Otherwise we could end up in 2020 having a country that is not as attractive as you said in your speech on February 8.

VLADIMIR PUTIN: This is not so much a question as a demand from the voters, and you should therefore take it to Dmitry Anatolyevich [Medvedev] and I hope he will hear you. You are absolutely right. It is precisely for this reason that there are several tasks we must tackle.

We need to fundamentally improve the quality of management and increase labour productivity at every level.

There are several other issues we need to address in order to achieve our development objectives. First, we need to establish an education system that would make it possible for people to retrain rapidly and professionally. Second, we need to remove red tape in all areas affecting the development of small and medium business including that of access to power, utilities, office space. We need to resolve the problem of corruption in this area. There is still a great deal to do. I have already issued additional instructions to the Economic Development and Trade Ministry and they are now in contact with various small and medium business organisations and are working together to set out proposals for systemic changes in this area.

And finally it also depends on the population mobility. This is related to housing problems. It is important that a person could move from Moscow following a new interesting job offer, buy there an apartment, or rent it. We have to develop construction industry and we simply can not concentrate on one issue here; we will tackle the whole thing.

REN TV: There has been a lot of talk lately about a possible redenomination of the rouble...

VLADIMIR PUTIN: Don't believe the rumours! There is no economic need for such a decision. Neither the Government nor the President nor the Central Bank has any such plans. The Russian economy's foundation is such today that there are no reasons for such a step and it would only be harmful. We have almost 500 billion dollars in foreign currency reserves and a little over three trillion roubles in the Stabilisation Fund. Our budget and trade balance both show a surplus and there is an enormous flow of private capital into the country. These are not the issues on our minds at the moment. What we need to be working on is innovative economic development, education and healthcare. Schoolteachers' wages are only 80 percent of the average national wage, and they should be higher than the average wage. These are the issues on our minds now, not redenomination of the rouble.

ITAR-TASS: Vladimir Vladimirovich, you have made 170 visits abroad over your eight years in office. How have attitudes to Russia abroad changed over this time and why do you think the West has such a negative view of Russia? Times magazine chose you as person of the year. I wonder whether you were pleased or worried, as there are two different images of Putin – one in western and the other in Russian media. What do you think about what the Western media writes about you?

Also, will you continue to hold such press conferences as today in your new job?

VLADIMIR PUTIN: I have to get this new job first. Yes, I am willing to work as Prime Minister of the Russian Federation. But for this to happen the presidential election first has to take place and Dmitry Anatolyevich Medvedev has to be elected, if Russia's citizens give him their trust. Then he would have to submit my candidacy to the parliament, and the parliament would then vote on it.

I am well aware that the chances for these events taking place are very good, but as they say, you should never count your chickens before they are hatched. If these events do indeed take place, the prime minister does have the right to meet with journalists (above all to discuss the country's social and economic development). The current prime minister does this quite regularly, I think, as did his predecessor.

Incidentally, I am very pleased that we have organised things in such a way that Dmitry Anatolyevich, as first deputy prime minister, is able to keep working and at the same time carry out his election campaign, while the prime minister can concentrate fully on his duties and the Government in general can keep working. I am pleased that I have organized it this way because otherwise the country could have run the risk of sinking into endless political squabbles and we could have seen problems arise in the Government's and administration's work. But we have none of this.

As for what the press writes about me, if I were to react to everything that is written about me and change my behaviour accordingly I do not think we would have achieved all we have today.

I remember when international terrorists attacked Dagestan and I saw how I was depicted with fangs dripping with blood and so on. I remember this, but I also had my absolute inner conviction that we were taking the right course of action and that we had no other choice.

The same is true of other issues. If I have the inner conviction that what I am doing is right I do not let what others say and write about me distract me and I do not respond to attempts to influence me from outside. But I can alter my decisions through a process of dialogue with colleagues whose opinions I respect.

As for attitudes to Russia, attitudes are good! Just because some article appears in this or that country or some campaign or other gets underway this does not automatically reflect the attitudes to Russia among these countries' people. Look at the public opinion surveys in European countries. I just saw the latest survey from Germany and the attitude expressed is positive overall. Of course the press can help shape attitudes, but we know that a few countries between them hold a monopoly on the world's media. Of course the political centres in these countries use these channels to try to influence our population and the population in Europe and North America. I do not think they have much success in these attempts. Incidentally, the selection of Sochi to host the 2014 Winter Olympics

suggests that they don't have much success. This was a good litmus test: the members of the International Olympic Committee, all influential and independent people, voted for Russia. This shows that there is respect for Russia and that Russia's role in the world today is recognised.

Of course we see growing competition on the international stage today, especially in the economy, and of course various means are used to try to reach political or economic goals. Of course various instruments, including the media, are also used.

As for the discussions about democracy in Russia, we have to realise the objective behind these discussions. For example, why listen to Russia's views on Kosovo if Russia itself is supposedly not a democratic country?

Another example: why listen to what those Russians have to say about missile defence if they cannot be trusted anyway because they have problems with democracy? We need to take a sober look at what is happening in the media. We need to analyse the situation, but it is not worthy of Russia to react by kicking up a fuss, and we will not respond in this way.

JOURNALIST FROM THE GERMAN MEDIA: How will Russia react if Kosovo declares its independence? What line will you take in the Security Council and will you vote against independence?

Another question: there are no surprises in Russia's election campaign, no competition between ideas. The most important candidate is not taking part in television debates or holding big press conferences. Do you think this is a democratic election campaign?

VLADIMIR PUTIN: We think that to support a unilateral declaration of independence by Kosovo is amoral and against the law. Territorial integrity is one of the fundamental principles of international law. The Security Council has issued Resolution 1244, which speaks of Serbia's territorial integrity, and all UN members must respect this resolution.

I do not want to offend anyone, but all the same, if we really raise this issue, there has been a de facto independent Republic of Northern Cyprus for 40 years now. Why don't you recognise it? Are you Europeans not ashamed to apply double standards in settling one and the same issue in different parts of the world? Here in this region we have Abkhazia, South Ossetia and Trans-Dniester that exist as independent states. We are always being told that Kosovo is a special case. This is all lies. There is nothing so special about Kosovo and everyone knows this full well. It is the exactly the same situation of an ethnic conflict, crimes committed on both sides and complete de facto independence. We need to decide on a common set of principles for resolving such issues. We are not driving the situation into a dead end. We are proposing to our partners that we draw up a common code of conduct on such matters. Why should we encourage separatism? There are people in Spain who do not want to live together in the same state, why not go and support them? Britain has been fighting for its territorial integrity for four hundred years now in Northern Ireland. Why are you not supporting the Irish?

There have to be common standards. If we act only out of political expediency and serve only the political interests of particular countries we will undermine international law and the general order. Even the arms race is fuelled today by the fact that small countries do not feel themselves safe now. International law does not protect small countries' interests and they are forced to seek protection by acquiring the latest weapons. If there was firmly established order there would not be this fear and this need. Of course we will raise this issue in the United Nations Security Council.

As far as the election campaign is concerned I think it is going ahead without problem. The fact that the campaign is a calm one without all of these debates and commotion inside the country is not a sign that democratic procedures are lacking here but shows instead that most citizens of our country support the course we have followed over these last years. This explains why the election campaign is relatively quiet.

In Germany, as far as I understand the situation, the left-wing parties have seen a rise in their influence of late. The recent elections in Hesse and Lower Saxony support this. Furthermore, forecasts predict that the left-wing parties, including the former Communists, look set to increase their number of seats in the elections to the Bundestag in 2009. What does all of this suggest? It signals a reaction by the public to economic and domestic political events. Overall, I view positively what is happening in the German economy and think that balanced and responsible decisions are being made. Germany's political leadership is thinking about the country's future and is, I think, consciously taking what are perhaps not very popular decisions. These decisions have an impact on the political sentiment among the public. Here, the public is also reacting to political decisions, but in a different way. Wages in Russia grew by more than 16 percent over the last year. This is the answer to your question. People want this development to continue and they see that Dmitry Medvedev is perhaps one person who can guarantee that this course will be maintained. Why should he take part in debates and discuss problems with opponents who will, to all appearances, be set on taking a clearly populist line? Have we not had the opportunity to tell our citizens what we have done and what we plan to do? Essentially, we have said all there is to say. As for the people who are competing against us, they now have every opportunity to tell the voters about themselves and present their programmes as clearly and vividly as they can. Our country's laws, the Constitution and the election laws are all being respected in full.

REALNY BUSINESS: This victory of getting to host the Olympics. Russians have been used to always pay for their victories. Who will pay for the Winter Olympics? The state? Taxpayers? Investors? Will the 2014 Olympics be an investment project that brings dividends and investment to Russia? Or will it be another 'black hole in the budget up to 2014?

VLADIMIR PUTIN: You didn't say you would go to Sochi to ski. Right you are, because the conditions there are not yet corresponding to world standards. And we want our resorts to be not only up to world standards but even better, and we have the

opportunities to make them so. As in other sectors, if we buy equipment, we need to buy only the most modern equipment otherwise it does not make sense to buy at all.

Developing Southern Russia is a very important issue. We have a federal targeted programme for the development of Southern Russia. Many parts of Southern Russia are still depressed in terms of employment opportunities, production levels and so on, and yet this a very attractive part of the country. Russia is a northern country and we do not have many regions that offer an attractive climate. In this sense, Southern Russia is the number one region.

The biggest objective behind our battle to have Sochi chosen to host the Winter Olympics was not just a wish to hold the games in Russia and show the world that Russia is capable of organising the Olympics. The biggest objective of all is to develop Southern Russia's infrastructure so that millions of our citizens can go there for holidays in summer and winter, enjoy themselves and spend their money inside their own country.

How will the allocated funding be spent? The sum we planned to spend on this project is, when calculated in US dollars, 12 billion and in reality the figure will probably end up higher. I want to stress that two thirds of this money will be spent on developing infrastructure: roads, bridges, tunnels, environmental measures, water supply. It is shameful to admit that Sochi does not yet have a normal sewerage system. Pipelines rupture every year there when the snow comes down from the mountains and there are electricity supply problems. Two thirds of the money the state is allocating will go on addressing all of these problems. Everything else will be financed either by private investment, both Russian and foreign, or on the basis of public-private partnerships. I hope very much that we will turn this part of the country into a model region that our people will come to year round for their holidays.

RIA NOVOSTI: Which of Russia's problems have you found the most wearying and difficult to resolve over these last eight years?

VLADIMIR PUTIN: Corruption.

RIA NOVOSTI: What about your work schedule, what has been the most tiring thing there?

VLADIMIR PUTIN: I can't say that any one thing in particular in my work schedule has been most tiring. My work schedule is very busy in general. My time comes down to work, sport and a little bit of leisure. I enjoy music, especially popular classical music. That is about all I have had time for over these last eight years. It has been something like a long business trip that has thrown me out of the normal circuit of life. But I can't say that there is anything that particularly irritated me in the work schedule. I tried to concentrate my resources on resolving the main tasks, the issues I had to deal with as head of state. If I thought that something was an important task, an important subject and important objective then it never annoyed me and on the contrary encouraged me to focus my attention even more sharply and mobilise my inner resources.

TF1 TELEVISION CHANNEL, FRANCE: I have two questions. We heard that there have been proposals to resume the tradition of military parades on Red Square. Has a 'Cold War' spirit returned to relations with Washington?

And regarding your relations with Nicholas Sarkozy: you understand what kind of person he is, do you understand his policies, and what is your view of him?

VLADIMIR PUTIN: I think that the French President is very responsible and purposeful in attaining the goals he has set for France's development. He is a very sincere person. I have not yet had the chance to spend any real length of time with him and hold deep discussions. We have met only a few times, but he gives me the impression of being very composed, of being an integral and decisive nature. I find it a pleasure to work together with him and we have established good personal and working relations. He is an open person, inasmuch as it is possible to be open at this level. If he thinks there are questions that require additional discussion or if he has some critical remarks to make he speaks directly and openly but in non-confrontational fashion. I try to respond in the same way and we have established an open and friendly dialogue and a good level of cooperation.

Regarding the parades, different countries have different traditions. Russia has a tradition of military parades dating back to the Russian Empire. We are simply continuing this tradition and it has nothing to do with signs of any potential outside aggression. It is very bold indeed to imagine that we seek a return to the Cold War era. Our main task today is internal development, resolving our country's social and economic problems. We want to build for ourselves a favourable external environment and develop partnerships, alliances, strategic relations with everyone, including with the United States. We have absolutely no desire to carry on dialogue in an atmosphere of confrontation. But Russia's growing economic and military potential does allow us to be firmer in standing up for our national interests, both political and economic. We will never seek confrontation, but we do think it is our right to defend our interests, just as our partners do, and indeed, we can learn from them.

What kind of aggressiveness can we talk about today? Russia has closed its bases abroad. Are we attacking anyone, unleashing armed conflicts, withdrawing from basic arms control agreements? We are abiding by all of our commitments.

Why don't you take a look as a citizen of Europe at the discussion our partners have begun. You can write in your magazines whatever you want, but still, you, personally, as a European. Russia has signed and ratified the Conventional Forces in Europe Treaty. We have cut back all of our military units and now have not a single army-level division in the European part of Russia, and we have withdrawn all of our units from the northwest. We have imposed what amount to essentially colonial-style restrictions upon ourselves, restrictions that limit the movement of our own troops on our own territory. Has France made any such commitments? Does France have restrictions on moving its own troops on its own territory? Does America? It is ridiculous to imagine the President of the United States restricting the movement of troops from California to Texas, say. It is absurd! But

we have made such commitments. And what do we see? Our partners have not even ratified the treaty. Year after year we say to them, “come on, enough now, we don’t agree to this unilateral situation, it’s time you ratified”. The Baltic states have not even signed the new version of the treaty. In other words, if some kind of fourth or fifth missile defence position district were to be set up there tomorrow it would all be in accordance with the current laws.

How long can this continue? We keep saying year after year that it is time to start working honestly, but they always come up with something new. While the treaty remains to be ratified we see one base appear, then another, one district, then another, ever closer to our borders. How long can we put up with this? And in the end we start to react.

But no one likes it when we start defending our interests. We are told that Russia is behaving aggressively. Is this really aggressive behaviour? Are we establishing new bases or setting up missile defence systems? Was France asked when it was announced that a new missile defence system would be set up within the NATO framework? Who asked France’s opinion? No one did. It was only later that discussions began in Brussels. Is this a European decision, a NATO decision? We reacted by suspending our membership in the Conventional Forces in Europe Treaty and we say that we will no longer accept any colonial-style conditions in the future. Let us instead hold a dialogue as partners and take each other’s interests into account.

There is no need to whip up fear over Russian aggressiveness because there is not and will not be any such aggressiveness.

ARGUMENTY I FAKTY NEWSPAPER: Last year you were mentioning ineffectiveness of the three-level government structure, today you said that the whole government system is terribly inefficient. You mentioned corruption too as, you said, one of the main problems of the nation. So, as the current president and most likely future prime minister, could you share your plans for fighting corruption? Do you have any specific plans for changing the government structure, and who would you be willing to bring into the government?

VLADIMIR PUTIN: Corruption is always a problem in developing markets and developing countries. It is a common problem that we face, unfortunately. The situation was especially difficult in the early and mid 1990s when the old structures collapsed and part of our economic high society was able to amass huge fortunes, bypassing the law and making use of state resources. This undermined people’s confidence in business, of course. Furthermore, big corporations were active in placing their people in the government, civil service and political administration. Few of these people actually received a salary in these posts – it was not the money that interested them.

Fighting corruption takes time. There is no miracle anti-corruption tablet that the state can swallow and cure its corruption woes overnight. What are needed are legal measures, tougher penalties and a stronger legal system. We have signed a number of European

anti-corruption agreements and also the UN anti-corruption agreement. We need to incorporate the provisions of all of these agreements into our own legislation. An expert group is working on this now and we will definitely pass an anti-corruption law.

We also need to raise wages in the civil service. The public has to understand that it is better to pay civil servants decent wages and at the same time demand that they perform their duties honestly than to pay them a pittance and give them the incentive to turn to corruption.

Most important of all, we need to develop the institutions of civil society, develop public and media control over the situation in the civil service and state administration. This is very important and it is something I always keep in mind. We will most definitely work in this direction.

On the question of how effectively the Government is performing, I do think that the structure set up over these last four years has not functioned as well as we hoped (we had planned that the ministries would concentrate only on lawmaking activity while the agencies and so on would carry out their functions). The ministers end up all the same immediately tugging the administrative blanket their way. The system of deputy prime ministers that we introduced has worked quite well. We will reflect on how to make the Government's work more effective.

As for the question of who might be brought into the Government, if the voters do indeed choose Dmitry Anatolyevich Medvedev and if he does nominate me to be the prime minister, then there will be changes in the Presidential Executive Office and in the Government.

GUDOK NEWSPAPER: People are worried what will happen when the freeze on prices for products of social significance ends? How will the market react to this anti-market decision?

VLADIMIR PUTIN: On the surface the price freeze does look like an anti-market decision. But I am not so sure that this is actually the case. Rising food prices are a result not just of rising prices on the world markets. People say that the Chinese are now consuming greater quantities of foodstuffs and that consumption has also increased in India, that oil prices have gone up and therefore prices for everything else also rise accordingly. These are objective circumstances, and Russia is a part of the global economy. But there are also other circumstances, things such as customs regulations, monopoly deals, relations between the different economic sectors, between the fuel and energy sector and the agriculture sector, for example. There is also the question of relations with our partners in Europe, from whom we receive a large part of our imports. In big Russian cities imports account for up to 70-80 percent (and in some cases even 85 percent) of foodstuffs. This is an enormous figure. Much therefore also depends on how this situation is regulated. After the price agreements that were made with the main producers and distributors come to an end prices will not necessarily jump up. This could happen in theory. But I do not think that this was a purely anti-market measure. It was an

anti-monopoly measure, but can we call it an anti-market measure? The agreements reached with foodstuffs producers and sellers, with the wholesalers, had an anti-monopoly component. Yes, foodstuffs prices are rising on world markets and prices will probably increase in Russia too, but this does not automatically mean that we are in for sudden sharp jumps in prices.

VESTI-24: Do you not think that we are resolving our poverty and demographic problems too slowly? You said more than once that these problems are of primary concern for you.

VLADIMIR PUTIN: As far as the demographic situation is concerned, we are now seeing something of a baby boom, and this makes me very happy. The reason why we began taking action only last year and the year before is that we simply did not have the necessary resources for tackling this problem earlier. Even now when we have decided to index benefits in this area, to be honest, this was my personal decision and I am glad to say it now, there were doubts in the Government about the wisdom of doing this. But I said, "I promised publicly that we would index these benefits and so we have to do this. You will just have to make the effort, find money by cutting back ineffective spending, of which there is sufficient, but we have to keep our word. We promised our citizens and they believed us, and now we have a duty to fulfil this promise".

The number of families giving birth to a second or third child has increased by almost 10 percent. This is a sign that people do have confidence in us. I think this is one of our biggest achievements over these last eight years. Overall, of course, not everyone has seen the benefits in their own lives yet. Not everyone in the country has felt the effects of economic growth in their own lives and on their own incomes yet, but overall, people do see that we are doing what we promise. I do not think, therefore, that we are resolving the demographic problem too slowly.

As for the fight against poverty, the biggest issue in the immediate future is that of pension reform. This is an area in which we need to make important decisions and take action that will lead to a real increase in pensioners' incomes.

At the moment the correlation between the average wage and the average pension is very low and we need to make it higher, to bring pensions closer into line with wages.

We have several objectives in this respect. We need to ensure that the decisions concerning the personal pension account system are implemented. The state must guarantee that for every rouble a person puts into his personal pension account, the state will add a rouble of its own. This is being done to close the gap between the incomes of working people and pensioners. This is one of our main goals for the coming decade. I think that this is entirely within our power if we act responsibly and move forward calmly and steadily with every year towards this aim.

Pension reform, education and healthcare are among the main issues discussed at all meetings with the Government, and we will continue our work in all of these areas to find solutions and resolve the problem of poverty.

ALEKSEI GROMOV: There are a significant number of journalists from Finland here – please go ahead.

QUESTION: We also listened carefully to your speech at the State Council. Could you be more precise about exactly what kind of conflicts and diplomatic policies smell of oil and gas?

And a second question: what advice, if any, have you already given Medvedev about how he should develop relations between Russia and Finland?

Thank you.

VLADIMIR PUTIN: I have worked with Dmitry Anatolyevich for more than 15 years and I would never support a presidential candidate if he needed this type of advice. Dmitry Anatolyevich is a mature politician. I know the position of head of state and I would assure you that our relations, if he is elected president, will be very harmonious. I would never encroach on the role of head of state, I think this would be harmful and counterproductive. Of course, I have the right to express my views. We supported our relations with the first President of Russia – right up to the death of Boris Nikolaevich Yeltsin – and he was neither Prime Minister, nor member of the State Council. But I must tell you that all of our meetings with him were very useful to me. And certain things, certain advice that he gave – or not even advice, rather he simply expressed his views on some issues, including international ones – were important to me, because he was a knowledgeable man, an experienced man – I do not consider it censurable listen to his opinion. But in the end the last word and, therefore, the responsibility for the decisions lies with the first person, the head of state. I simply have no doubt that Dmitry Medvedev is a man who can make decisions, I am certain that this will be case. At the same time, of course I have the right to express my views on certain issues.

With regards to Finland. Finland is our traditional, good and reliable partner. Our trade turnover has been steadily growing. I think it is no secret that contracts by the Soviet government were the factor that enabled certain branches of the Finnish economy to develop: namely shipbuilding and communications. You know how many contracts Finnish shipyards received from the Soviet Union. I would very much like to see that positive attitude and neighbourly spirit characteristic of our relations preserved in the future. There is no reason to doubt that this will take place. I am sure this will be the case. We have certain issues that we have been dealing with recently, such as lumber. We understand the concerns of our Finnish partners, and understand that Finnish enterprises must receive raw materials, but you have to understand our point of view. We also want to promote processing in our country: this is something normal, natural. We do not want to damage the Finnish economy. But we are thinking about how to develop advanced processing capabilities within Russia. You said that you listened carefully to my speech

at the State Council. Today colleagues recalled that I was referring to innovative development and, in the case of raw materials, this refers to advanced processing. And what should we do? We don't have any other way. But we will try to take such decisions so as not to injure our partners, but rather to seek these decisions together.

With regard to the fact that something smells of oil or gas. We know how, say, our American partners conduct a dialogue in Europe: they go to certain countries and urge them not to take our raw materials, or they try to find some new energy delivery routes that bypass Russian territory, and in this way to put pressure on these countries. This is already a political matter.

I think it is a bad policy, a stupid one – not just because it is unprofessional, but also because the politicisation of the issue masks things such as payments and other issues such as where to get the energy from. I have already said and Europeans are well aware of the fact that in the UK resources almost exhausted, and they are fast being depleted in Norway. Where should they come from? In Germany, for example, they have decided to gradually close nuclear power plants, and they do not want to develop coal either: too dirty. Gas is what is left. And where to get it? From Algeria, from Qatar, but their gas is mainly destined for the North American market since energy needs are predicted to grow there. No one is sure what will happen with Iran – there are constantly problems surrounding Iran. And every year Iran, say, breaks off its deliveries to Turkey, and we constantly compensate for these missing supplies, and did so this year as well. There were abnormally cold temperatures in Central Asia: we fixed this issue and no one even noticed. We did so without any noise or political showmanship.

The North Atlantic bloc is examining issues related to energy security based on the supposition that Russia is clearly unfriendly. We see this. Why is this? Have we ever breached our obligations? No.

Finland receives energy almost exclusively from Russia: about 70 per cent of its oil, I think, and about 90 per cent of its gas. And does Finland suffer from this? No, on the contrary. The Finnish economy has energy resources lined up for the long term future, for the coming years. This is stipulated in the contracts and well-executed. And I assure you that we will behave the same way with other European partners. But we would like ours to be an equal partnership. If someone wants to come to Russia, right to the heart of our economy, then let us into the heart of your economy! And then this would join our efforts: there will be a useful interdependence and this will guarantee the sustained development of our political and economic relations.

NTV TELEVISION CHANNEL: I would like to return to the issue of the elections. About half of the candidates are veterans of election campaigns. You have made your choice, and we know it. What is your attitude towards Dmitry Anatolyevich Medvedev's competitors? Indeed, any candidate's political weight is also defined by the worthiness of his or her competitors.

VLADIMIR PUTIN: A respectful attitude. First and foremost because each of these candidates are supported by citizens of Russia, who rely on these politicians. Yes, they are obviously figures of the opposition: representatives of the Communist Party and also Vladimir Volfovich Zhirinovskii (and he quite often criticises the authorities in power) – these are all serious people, despite all the drama that Zhirinovskii resorts to. In fact, he is a serious politician, like Ziuganov, and has spent many years in Russia's political scene. And despite the difference in approach to developing Russia's social and economic spheres, these people are patriotic.

While working as the President of Russia, when the country faced certain crises, particularly with respect to terrorism, I have to give them their due: they took up a patriotic position, and were not only ready, but also supported the leadership of the country in the fight against terror. We have different tastes but, in general, a common view on the development of international relations. They support Russia's efforts to strengthen its foreign policy positions. There are some other elements that allow me to say that these people are patriotic and committed to Russian statehood. The difference in approach does not rule out the possibility of constructive dialogue.

ASSOCIATED PRESS: Some newspapers wrote that you are the richest person in Europe. If this is true, what are the sources of your wealth?

VLADIMIR PUTIN: That is true. I am the richest person not only in Europe but in the whole world: I collect emotions and I am rich because the Russian people have entrusted me to the leadership of a great country such as Russia twice. I think that this is my biggest source of wealth.

With regard to the various rumours about my finances, I saw some papers that talked about this: it's just chatter, which doesn't need to be discussed, just rubbish. They just made it up and included it in their papers. That is how I see it.

ALEKSEI GROMOV: I feel it is time to take a question from the balcony. Please give someone a microphone on the balcony. For example, Chanson radio.

VLADIMIR PUTIN: Interesting, let's have Chanson. Will you sing us anything? Chanson radio is unique in Russia: would you like to ask something about detention centres, for example?

CHANSON RADIO: No, Vladimir Vladimirovich.

Evgeniia Smurygina, Chanson Radio.

Vladimir Vladimirovich, your press conference is taking place on Valentine's Day – has someone already given you a Valentine? If so, then who, and if not, why not, do you think?

VLADIMIR PUTIN: No, no one has given me a valentine because I was preparing for my meeting with you, and immediately after doing some exercise this morning I came right here, to this room, and simply have not seen anyone.

EVGENIIA SMURYGINA: I would like to give you a valentine. How can I do so?

VLADIMIR PUTIN: Go ahead. Thank you very much. Of course, my wife congratulated me on Valentine's Day but she is still holding on to my valentine.

VEDOMOSTI NEWSPAPER: I am now a little bit uncomfortable, but I wanted to ask about Ukraine.

VLADIMIR PUTIN: Why are you uncomfortable?

VEDOMOSTI NEWSPAPER: It turns out that Ukraine has demonstrated quite clearly that it wants to join NATO, to join the European Union. You recently met with Mr Yushchenko and held talks on gas. Russia has made quite a few concessions to Ukraine, accepted a lot of the proposals that Ukraine made, eliminated middlemen, and so on. Tell me, what concessions is Ukraine now ready to make?

I have one small question about state corporations. You already talked about this issue but I would like to clarify it: what do you think should be the life expectancy for state corporations in Russia and in what fields of the economy can they still operate?

Thank you.

VLADIMIR PUTIN: First of all I would like to say that we did not make any concessions. At the time, these intermediaries were established at the initiative of the Ukrainian side. For our side, Gazprom and Gazprombank were among the founders of these intermediaries. It was a clear and transparent situation. What happened to the Ukrainian side is not our business. We do not even know who is involved as intermediaries there. At some point in the past year they started to appear, we heard some names. I first heard of the existence of these people, and in principle this is not our business, but rather that of our Ukrainian partners. Now the Ukrainian side wants to get rid of them. Well, my goodness, go ahead – they should do so. We are ready to create new businesses with the same ratio of participation – 50 per cent – and let them clean up their side, we are not against this. Do not think that this is any concession.

With regard to the fact that we compensated the missing part of the gas, that was not a concession – it's simply our good will. We signed a contract in 2006 and agreed that if there is a deficit of gas from Central Asia then Gazprom will cover this shortage but at Gazprom prices. That is what we did.

There was a problem again on the Ukrainian side between Naftogaz of Ukraine and these intermediaries, who are Ukrainian legal persons. This is not our problem and it is not our fault. We performed all our obligations: let the money go to the intermediaries and the

intermediaries can give it to us. This is how they built relationships – I repeat, it was not us who built them, we are ready to work in Ukraine with direct contacts, not intermediaries. The Ukrainian leadership now declared that they are ready for such a regime and want it. And we also want this. That is the first thing.

Second. The Ukrainian leadership confirmed their readiness to further develop their relations in this sphere based on market principles. The only thing we insist on is that the amount delivered to Ukraine at the beginning of the year be calculated in Russian, Gazprom prices, rather than the so-called Central Asian prices.

But there is a dialogue here, there is understanding, and we can build a relationship in such a way that our interests are not affected. Our Ukrainian partners heard us – I hope that we will do the same, and we have agreed to do so.

What was the first part of the question?

ALEKSEI GROMOV: About state corporations.

VLADIMIR PUTIN: About state corporations – yes, this is an important issue, I agree. State corporations occur where and when there is a need for major long-term investments that private business is not yet ready to incur. First of all, of course we are talking about fundamental areas of the economy such as shipbuilding, aviation, the defence complex. We also have substantial public funds that we will invest in the Olympic facilities: there is a state corporation that is going to oversee building these facilities. This is understandable and justified, and some countries, which invested public resources there, did the same.

Regarding Rosatom, say, or the nuclear industry (we understand that this is closely linked to the country's ability to defend itself), then I think this is justified. Even if we will develop a market component in all of these fields, in all of these areas. We do not simply create a state corporation – we put part of the corporation on the market (all that relates to trading nuclear materials, for example). And we want this part of the corporation to become absolutely market-based and competitive on world markets.

And, in general, we will strive to ensure that within a few years after major investments by the state, once more technology is available and the capitalization of these companies increases, we will gradually list these companies on the stock market and make them part of a market economy. This includes selling their components, once these companies are established and competitive not only in Russia but also in international markets. It includes full privatization but, of course, on fair terms, and without prejudice to the state. This is our ultimate goal. In no case are we preparing for state capitalism.

ALEKSEI GROMOV: The Internet resource from St Petersburg, please go ahead.

FONTANKA.RU: Vladimir Vladimirovich, the process of consolidating the regions has not yet been raised with respect to the Northwest Federal District. I want to ask directly:

from your point of view, would it be good to merge Petersburg and the Leningrad region into one Russian region? Thank you.

VLADIMIR PUTIN: First of all I would like to say that the issue of the consolidation of regions is associated with the capacity of regions to resolve their social and economic problems. Indeed, today many of the existing regions of the Russian Federation emerged in the wake of the regionalization of the country, in the wake of its separation – let's say it directly. At the time people believed that having the status of independent region within the Federation would allow them to solve social and economic problems better than could be done from the centre. It turned out that this is not the case. We have a large number of regions which cannot solve the social problems of their inhabitants independently. The level of financial independence is very low, and most regions are subsidised by the federal centre. And we need them to be self-sufficient. We need their economic development to be such that they can independently resolve the social challenges they face. Do we need to do this for Petersburg and the Leningrad region? Petersburg is a donor region and the Leningrad region is developing quite quickly and effectively. I think that their regional economic output doubled over the past years. I do not remember exactly, but close to that (if they have not done so already). Consolidation for the sake of consolidation is not our goal. And then it depends on the Russian citizens residing in these territories: they should have their say on the subject. We have not yet received any applications on this account.

ALEKSEI GROMOV: Our Canadian colleague.

CANADIAN TELEVISION CHANNEL: Russian researchers planted a flag in the Arctic, on the sea floor, and many people were worried about this. Is this a message to the international community? Should Canada worry about its own sovereignty and its access to the oil-rich Arctic?

Thank you.

VLADIMIR PUTIN: There is no need to worry, everything will be all right. I am surprised at the slightly nervous reaction of our Canadian colleagues. A while ago the Americans put a flag on the moon, and so what? Were you worried? The moon did not become American property.

With regards to our research, of course it was designed to prove that the Russian Federation is entitled to a portion of that shelf. But we are doing this within the framework of existing international procedures, within the framework of the United Nations. We did not do anything against the rules or by force. Why are you nervous? We need to conduct a normal, professional dialogue within the United Nations framework. There are certain procedures defined by the structures in place. Yes, we are protecting our interests, we want to prove our right to the shelf, but we are collecting evidence precisely with a view to engaging in open and substantive dialogue on the matter. We will continue to operate within the rules and within the existing international procedures.

IZVESTIA: The other day an influential American newspaper, The Wall Street Journal, literally wrote that Gazprom is continually cutting deeper into Europe. You have said many times that for Russia energy is not a political instrument yet not all believe this. Why not?

And not a question, but rather a request for clarification. You yourself have talked about working as a galley slave, about a business trip eight years long. Why do you want to continue enduring those trials now, I mean as Prime Minister? Maybe you could rest, gather some reserves, and then go again?

VLADIMIR PUTIN: Regarding the fact that Gazprom is cutting into the flesh of Europe. Why Americans are so worried about Europe's flesh I do not know. Maybe because they want it for themselves; it is a nice piece of flesh. With regards to teeth gnawing away at something. Exxon Mobil is biting into our economy and no problem, they have dentists that keep sharpening those teeth. Or Shell or BP. I think that BP is increasing its reserves thanks to the Russian Federation, thanks to our resources, and we do not fear this. Rather, we are going to expand cooperation. Yes, we take into account our interests but all major global companies, American and European ones, work in the Russian energy sector, and please, let them work.

There has been a lot of speculation and people were out of joint for a long time about the Shtokman [gas field]: will Russia use the opportunities of its partners or not? Yes, the subsurface remained Gazprom's, but we attracted our Norwegian partners, French partners – Total will be there to work – and American companies (I already listed them) to this project, and they do so successfully: this is a multibillion dollar investment project. We have already started extraction and the work is on track. I regularly meet with the leadership of these companies and they are happy with how it is proceeding.

Our Chinese partners are working in Russia as are our Indian ones – people from around the world are working here. We have the German company E.ON participating in our electricity market and Eni came, and another major Italian company – and these are billions of dollars, multibillion dollar investments. We are not afraid, we are moving towards the scenario in which they are able to gain even controlling packages in some of our power structures. And why then are they so afraid of us? Why are they so cowardly, to put it simply?

It is true that the opportunities and economic power of Russian companies, of course, are growing. But our core consumers, especially in European countries, should only be glad of this. Gazprom's market capitalization increased twenty-fold over these past years – by twenty times! It became one of the major companies in the world, its capitalization exceeded 350 billion dollars. How is this bad for its main consumers? This implies a steady company, more reliability. Gazprom does not require an exclusive status, it only requires cooperation between equals, and then we will come to an understanding with our partners. At times when our partners want to be shareholders of our large gas deposits and to work together, Gazprom says: «Give us the corresponding assets, money is not what is needed – in today's economy paper is not what we need – we need assets». And

is this bad? This is an honest, open position. We will continue to conduct ourselves in this way. And I am sure that there is no reason to be afraid. I want to reiterate: interdependence only strengthens reliability and predictability.

And the second part of your question. I have already talked about this: as fate would have it, I had the chance to work as head of the Russian state, and I believe that I worked honestly over those eight years. I prefer not to whine at the fact that this period is over, but rather be glad that it is possible to serve the country in another position. Of course it is possible, as some people said, to hang up one's hat and go to sleep. I think it is too early for that.

ALEKSEI GROMOV: Is the Wall Street Journal here? Please go ahead. It would be unfair not to give you the opportunity to ask a question.

VLADIMIR PUTIN: Yes, why do you need to frighten people?

WALL STREET JOURNAL: I hope that we don't frighten people.

The question is not about dentistry, it's about something else. If the elections take place and then, as you suggest, Dmitry Anatolyevich becomes president, and appoints you as Prime Minister, how would you see this position? It is rare in international politics that someone with a higher position goes to a lower one, and especially rare in the Russian tradition. Do you see this new position as transitional, to help during a transition period, or do you hope to work as long as your new boss likes your work?

VLADIMIR PUTIN: You know, the position of Prime Minister of the Russian government could not be a transitional. It provides an opportunity for self-realization and to achieve very large goals which stand before the country. And if this happens, then of course I will work with the same outcome as if I were working as President of the Russian Federation. That's it. Or was there something else?

QUESTION: And the timing?

VLADIMIR PUTIN: With regards to timing, as long as Dmitry Anatolyevich will work as President. And if I see that I am achieving the goals that I recently set myself when speaking at an expanded State Council meeting – the same goals that I set myself – if I see that I can realize these goals in this position, then I will work as long as this is possible. And I think that there could be no other answer. And what answer would you like? I formulated the objectives for the development of Russia from 2010 to 2020. My fate is such that I have the opportunity to take part in achieving these goals. I need only to be glad of this and work.

SON OF THE MOTHERLAND NEWSPAPER, URAL REGIONAL OFFICE OF THE INTERIOR MINISTRY'S INTERIOR TROOPS: Thank you (I had given up hope).

Vladimir Vladimirovich, will the decision to progressively reduce the Interior Ministry's Interior Troops be revised? As I understand it, the threats for internal security, especially in the North Caucasus, are still very real. Street crime has not been defeated, and the heads of regions are very concerned about it. And finally, the Olympics will take place in 2014 and will constantly be in our purview. Is now the time to reduce the number of troops?

VLADIMIR PUTIN: You know, in Russia the effectiveness of the work of certain departments is not always directly proportional to the number of people working there. In health care, for example, the number of beds in Russian hospitals is about the same (even more), as in European countries, but the quality of the services provided is not as good. The quality and quantity are not always, I repeat, directly proportional to one another.

With regards to the Armed Forces and the Interior Troops. Eight years ago we invested significant funds in their maintenance. There had been almost no development in this field before that time, and no units had received modern weapons and equipment. I just went to Botlikh, looked at the situation and felt happy. I was then in Nalchik, and saw the mountain brigades of the Interior Ministry and really felt happy! There were six hundred-odd units of armored vehicles all brand new, absolutely new, adapted to mountainous conditions. Excellent troops, brilliantly equipped, and with good skills. The same applies to the Interior Troops. But we need to balance development and maintenance. The effectiveness of the armed forces and internal troops depends on how wisely we meet this challenge. The costs of maintenance are caused by excessive personnel numbers. This number should not be too low, it must be optimal. The decisions that we took earlier in the Security Council are being checked, and they were taken together with the heads of departments and the Interior Ministry. This affects the Armed Forces in general, the Ministry of Defense and the Ministry of Internal Affairs. And we must proceed according to schedule. It also depends on resolving servicemen's social problems, namely their housing and wages. It is better to have compact armed forces, but forces that are self-sufficient, self-respecting, and with a good social base, rather than having a bunch of beggars who have no motivation to work or effectively carry out their duties. You have to look at the problem from this perspective.

QUESTION: Vladimir Vladimirovich, just recently last summer you and Yuri Mikhailovich Luzhkov visited one of the Moscow neighbourhoods and you drew his attention to some problems, and even set out certain tasks. How effectively do you think these tasks have been handled and, in general, can Yuri Mikhailovich cope with these assignments?

VLADIMIR PUTIN: You want me to give an assessment of the work of the Moscow authorities? Moscow is developing well. It is true that this megalopolis which has 10 million official inhabitants also has a lot of problems. And it is probably also true that not all the problems are solved in an optimal way, and so it is natural that there are a lot of tasks for the authorities. But on the whole Moscow is developing at a higher rate than the national average and social problems are being solved, as are infrastructure problems. Overall, we should be happy with the way the authorities are working in Moscow. I

repeat this despite the fact that problems do remain. Look at what is happening in the field of construction, in transport infrastructure: where else, in what other city are there as many ring roads, and as many overpasses, tunnels and so forth being built? Everyone else is lagging behind Moscow in this respect.

Can it be done more efficiently? Perhaps it can and should be. But from my conversations with the Mayor of Moscow I can assure you that the leadership of Moscow sees these problems and, I am sure, will solve them.

RADIO MAYAK: I have another question about the Olympics. But not about the comic Olympics that were already mentioned here, but the ones that will be held in 2014. Few people believed that Sochi would win the Olympics, that it was even possible. But now there is another problem, another question: whether the money from the budget, billions of rubles, will actually reach Sochi and whether the Tuapse – Sochi road will cost ten times more than anticipated? That is the first question.

Second. When talking about your achievements you did not mention the fact that Sochi was chosen to host the Olympics. Nevertheless, you made a lot of effort for this. Would you add the fact that Sochi is an Olympic capital to your successes of the past eight years?

VLADIMIR PUTIN: I am in a position to objectively evaluate my contribution to this issue, to the fact that Sochi was chosen as the capital of the Olympic Games. Of course I did contribute. But the most important thing is not that I came to Guatemala and actively campaigned for Sochi. The most important thing is something else, namely the way that Russia has changed, and that its economic, social and political stability has proven that it can accomplish these tasks. And I was particularly pleased (I do not know if have I said this or not, and by the way, this refers to the question how we are seen abroad), that this was a theme during conversations with many members of the IOC and I didn't even encourage them to say this. Do you know what I was especially pleased to hear? When I started to speak of the beauty of Sochi, the advantages of the city, they listened to me and, you know, many of them ended our conversation with almost the same sentence: «We want to support the Russia that you have created, we need Russia. I will vote for you and spend the rest of my time persuading my colleagues to vote for Sochi.» This was the dearest thing for me.

So the choice of Sochi is not simply the result of my trip to Guatemala, it is the result of all our activities over the past eight years.

As to things becoming more expensive, of course such concerns exist. We need to ensure that there is no theft. It is for this reason that I established a special group headed by the Prosecutor General's Office, and it is for this reason the Accounting Chamber formulated certain plans. And it is also because of this that we should establish reliable public control over the expenditures of state funds. The fear that something could be stolen cannot be a justification for not doing anything. We simply need to implement controls, be efficient and effective.

ALEKSEI GROMOV: I don't think a colleague from Greece has ever spoken at a press conference. Please go ahead.

ATHENS NEWS AGENCY: Clarifications on two topics. You already made a parallel between the situation in Kosovo and that in Cyprus. Do you not think that this comparison is somewhat contradictory? You strictly require that UN and Security Council resolutions be observed. In, for example, the case of Kosovo, we have an international protectorate with Russian consent, whereas in Cyprus there is a Security Council resolution which has not changed concerning the occupied territories in northern Cyprus. How should we understand your answer, what should we expect?

VLADIMIR PUTIN: You should understand that we are in favour of the respect of the fundamental principles of international law, and that state sovereignty and territorial integrity are at the basis of this regime. And in this sense we have the same approach to the problem of Cyprus as to the issue of Kosovo. There is a resolution that states that Serbia has the right to territorial integrity, and we must accept that. The same applies to Cyprus: it should be a unified state and we support this. There is no contradiction here. The contradiction comes from something else: if Europe applies a set of rules in one place and other rules in another, and does so in the interests of any one country or group of countries, then we will have chaos and it will be awful.

ATHENS NEWS AGENCY: Vladimir Vladimirovich, may I ask for the second clarification?

VLADIMIR PUTIN: Please go ahead.

ATHENS NEWS AGENCY: Recently Mrs Clinton said that as a former KGB officer, by definition, you do not have a soul. How would your soul or what, Mrs Clinton suggests, replaces it, react to such a statement?

VLADIMIR PUTIN: I think that at the very least a statesman should have a head. And in constructing intergovernmental relations one should be guided not by feelings, but rather by the fundamental interests of one's country. I think (and have already talked about this) that it is in the interests of both Russia and the United States to ensure that relations between our two countries develop positively and that relations between our countries are such that they allow us to solve the problems we are facing in the fields of security, disarmament, the non-proliferation of weapons of mass destruction, disease and so on. And we need a constructive dialogue for this. Russia wants to do this. And as to how the American leadership plans to develop its relations with Russia, especially the one yet to be, I do not know: you'll have to ask them.

BBC NEWS: Two questions if I may, Vladimir Vladimirovich.

First, following up on the topic of Kosovo: if Kosovo proclaims independence and a number of countries in Europe and the United States recognize its independence, do you

think that Russia should take any similar action in the territory of the former Soviet Union and recognize any disputed territories such as Abkhazia, South Ossetia or Transdniestria?

And the second question. Two or three weeks ago on Vladimir Pozner's programme Vremena, a number of high-ranking representatives of the Russian leadership (Kudrin, Chubais) commented on Russian foreign policy in not very flattering tones, saying that it was acting as a brake or, at the very least, having a negative impact on the development of the economy. Such disagreement is quite rare for modern Russian leadership. How would you comment these statements?

Thank you.

VLADIMIR PUTIN: I have not heard these statements, I would have to look at them in writing. Our foreign policy has no detrimental effect on the development of the Russian economy. I already gave the figures: the inflow of private capital into Russia in the past year amounted to 80-odd billion dollars. Is this a reflection of the fact that investors are being deterred or bad policy? On the contrary. Many international experts, I have already said this too, believe that the Russian economy is a quiet haven in the fairly turbulent ocean of today's global economy. This is in light of the stability of macroeconomic indicators (and despite inflation), and in terms of political stability. That is why everyone wants to work with us. And these 82.3 billion dollars of private investment are not just portfolio investments: many of them are direct private investments into the Russian economy. Therefore, there is no need to sing songs about the fact that foreign policy is preventing anything. It simply helps because it demonstrates the Russian Federation's increasing possibilities, its confidence, and the openness of our economy at the same time.

As to certain delicate questions, which look delicate from the outside, they are really related to only one thing, the desire to be treated as equals when we have to resolve problems in the economic, political or cultural spheres.

QUESTION (indecipherable).

VLADIMIR PUTIN: No, no. And the people you referred to by name, not all of them, I would say, belong to the country's political leadership. Why political leadership! I haven't seen anyone from the political leadership among the people you cited. Let them mind their own affairs. Everyone should tend his own garden, like St Francis, boom boom, every day, and then success will be assured. But everyone has the right to express themselves. Incidentally, this bears witness to the good, reasonably democratic status of the domestic elite. After all, people express themselves openly, freely and, I repeat, are entitled to do so. Overall, I believe that this is a good, positive signal.

ALEKSEI GROMOV: The first part of the question was about the recognition or non-recognition in connection with Kosovo.

VLADIMIR PUTIN: What will we do if they start to recognize Kosovo's independence unilaterally, and will we not do the same?

We are not going to start to play the fool. If someone takes a bad, incorrect decision, it does not mean that we should act the same way. But of course it would be a signal to us, and we would respond to the behaviour of our partners in order to ensure that our interests are protected. If they believe they have the right to promote their interests in this way, then why can't we? But, I repeat, we will not play the fool and act like this is a necessary consequence or do the same thing. We have our own affairs, and we know what we will do.

QUESTION: Vladimir Vladimirovich, we recently heard about Bush's vision of how to improve the situation in the Middle East. You just said that his is not an easy lot. I think that it is «not so easy» because he settled a lot of issues in a very crude way, especially in the Middle East. In Bush's vision Israel is a Jewish State, Jerusalem is its eternal capital, and the refugees' right of return to their occupied territories is only secondary. Can I hear your vision for solving the Middle Eastern problem, especially since you are known there and Russia is trusted in the Middle East?

Thank you.

VLADIMIR PUTIN: Of course there is nothing simpler than Middle Eastern problems: they have lasted for many years and we are certainly not going to solve them together now.

The uniqueness of our situation lies in the fact that we have traditional trusting relations with the Arab world, with Palestine. But at the same time Israel, as we know, is home to a large number of immigrants from the former Soviet Union and this represents certainly one more link between Russia and Israel. And today it is perhaps difficult to say that Israel is a purely Jewish state: there are many members of the indigenous Arab population there and they are citizens of Israel. (And in the light of demographic changes, which we know very well, perhaps in 15 to 25 years this part of the population will have the majority in the Knesset.) This, of course, reflects the need to think about basic changes in Middle Eastern policy, how to position ourselves, how to construct a relationship among all the people who live in this compact territory, and how to ensure that all desire to have a stable rather than an unstable situation.

Russia supports what President Bush had done recently. I believe that he sincerely wants to ensure that the situation in the Middle East stabilises. Now I will not say that we agree with everything he does, and that we don't have any disagreements but, in any case, we actively participated in the preparation of an international conference in the United States. I won't disguise the fact that we made efforts to ensure that our traditional partners, including representatives from Syria, took part in this work, and that no one blocked the process. Because we believe that dialogue is a very important component of the peace process. How is it possible to agree on something positive if we do not talk about it? We need dialogue.

Today one of the most important components of the settlement is the restoration of the unity of the Palestinian people. Despite the seriousness of the problem we still need to listen to Hamas, to understand their motivations, and not only to concentrate on the influence that some foreign countries have on Hamas. There are internal reasons that motivate Hamas to adopt their policies. Then it became obvious to everyone that simply isolating this part of Palestinian territory does not lead to anything. People just destroyed the border between Egypt and Palestine and went shopping, and then what? It is clear that this is not the way to achieve a settlement. Rather, you need to look for a basis for cooperation. It is difficult, but in general, it seems to me, there are various possible options to find such a compromise.

And just recently the King of Jordan was our guest here, as you know, and we talked with him in great detail. Russia will continue its efforts together with our partners to achieve a Middle Eastern settlement, to establish conditions for the secure existence of Israel, and comfortable conditions, so that the Palestinian people feel like the masters of their own territory. We are opposed to the fragmentation of the Palestinian territories. Of course, this should take the form of a future self-sufficient state, one that is distinguished and independent.

And in that context of course we said – and I would like to confirm this once again – that if all the actors find that another international meeting, which we propose to hold in Moscow, will help find these compromises (even if we only state that compromises are possible), then we will to organize the corresponding international conference in Moscow. Again I repeat that we will continue to work with all the participants in this process.

I should perhaps finish? ... What is that nice drawing you have there? Please go ahead. I think that you have already asked a question, or have you?

QUESTION: Good afternoon. In fact, together with my colleagues we noticed that everybody is asking about things that worry them...

VLADIMIR PUTIN: You would prefer them to ask about things that worry you?

QUESTION: No, let them ask what they want, the most important thing is that I can now ask you a question.

The first question I want to ask is as follows. You talked a lot about pensions and that they will increase. What will happen with scholarships? Because students are required to work and that affects how we learn. So we are working, earning, bribing the teachers, and that's how we graduate...

VLADIMIR PUTIN: What are you saying about teachers?...

Incidentally, this issue is very important because it concerns the whole policy towards youth and attitude to students. We have a timetable for increasing scholarships and followed it last year, and we will be sure to do so in the future. But in general I would say that because we consider the development of education to be a development priority, the state will constantly pay a great deal of attention to issues in this field. This applies to all aspects: fellowships, future employment and housing, and particularly for young families. I think that it is natural that this will, first and foremost, interest young people, including students. You know that we have a subprogramme for housing developments for young families, young people, and this year the age limit for those who can take part in this programme was increased from 30 to 35 years old. In 2008 the Government plans to allocate 54.3 billion rubles from federal sources for these purposes. We very much expect that as the budgets of the regions grow, they too will help finance these programmes.

So I want to assure you that we pay attention to the problems of youth – I have not even mentioned the demographic and other programmes that will continue to evolve – we will be sure to support all these initiatives and we will continue to fund all of these programmes. I have already talked about indexing and we will continue to index all of this. Of course this directly affects young people and students as well. In general, all of these problems and the challenges that face students will be in our purview, have no doubt about that.

VLADIMIR PUTIN: Georgia? Please go ahead.

GEORGIAN PUBLIC TELEVISION: We are not going to ask the same question about sensitive topics. You are expecting a visit from the President of Georgia, Mikhail Saakashvili, during the informal summit of the CIS. Would you desire a separate meeting between the two presidents, and will the most acute and painful problems be addressed at this meeting, including the de facto republics of Abkhazia and South Ossetia, especially after the recognition (if it does take place) of Kosovo's independence?

Thank you.

VLADIMIR PUTIN: We always meet with Mikhail Nikolaievich any time that is convenient, and at all our CIS forums. And if he accepts our invitation and comes to the 22nd forum, then of course we will meet with him. We never shy away from discussing sensitive issues: current economic, social, and political ones. We talk about virtually the entire agenda. As we will this time, of course.

(Indecipherable comments.)

VLADIMIR PUTIN: Will we never reach Chukotka? Yes, I think we talk about Chukotk all the time: in connection with Chelsea and some other issues.

CHUKOTKA NEWS AGENCY: Good afternoon! Vladimir Vladimirovich, every year we meet with you here and you talk with us in front of a map of Russia, a map on which there is no Chukotka. We hope this is not the result of decentralization of power that has

already affected us. Will be our region within the scope of government's attention when Putin is in his new position?

VLADIMIR PUTIN: Certainly. But in recent years much has been done by the current Governor, as you are well aware. We should give Abramovich his due: he wasn't greedy, he began by investing his own money in the revival of the region. And apparently the region has changed, its economy has changed, as have its energy supply lines.

We understand the problems associated with falling incomes. I understand them very well and we will compensate them. And we will pay constant attention to the east of Russia in general: to Chukotka, the Primorsky Krai, Sakhalin, and Kamchatka.

I have already said and would like to repeat once again: we believe that the depopulation of these territories is intolerable and will reinforce our efforts to make the lives of the people in these territories more comfortable.

Komi, please go ahead.

RED BANNER NEWSPAPER: Vladimir Vladimirovich, Russia can be compared to one big family, the members of which are the regions. And as in any family, some earn money day and night, and others do not think that they need to work, since they have places from where they can get those funds.

So my question is whether you think it is appropriate to review the system of fiscal relations between the regions and the centre, so that donor regions such as, say, Komi, do not give such a big part, at least – not the major part – of their income to the centre? If, for example, you were to change this to a 50-50 relationship, then donors would be less tied to the centre, and recipients would start to think that they do not need to live with one hand begging to Moscow, but rather live independently and earn money...

And the second question on forest legislation. Whether you are planning to create a system of preferences for the indigenous people who live near forests and rivers, and are forced to participate in public auctions on an equal basis with others but, of course, cannot win?

VLADIMIR PUTIN: Regarding auctions, they must be equal for all and the interests of the local population must be respected within the framework of existing legislation. And we need to protect the traditional activities of the indigenous peoples of the North: I am referring to livestock, fishing, and the use of other natural resources. This is important. Laws exist and it is important that they be respected and implemented.

Regarding inter-budgetary relations, this is a very important issue and we are constantly engaging with this. The redistribution of powers between the federal centre the regions, and the municipalities is a theme that we have been dealing with in recent years. The issue is – and I have already spoken about this in response to previous questions – that

the regional divisions were made for political reasons and without any regards to economic matters.

The tendency to merge regions, for example, in Kamchatka – just as an example – is designed to make a region self-sufficient and capable of solving the economic and especially the social problems of the people who live in these territories. And of course we should not discourage but rather encourage the regions that receive federal assistance to develop their region and not undermine the willingness of donor regions to engage in their own development process. We think about this all the time and are in contact with the leaders of the regions.

But I think that you would agree with me that the citizens of the Russian Federation who live in a territory that traditionally has not had a developed economy or industrial sector are not to blame for this. And our task is to equalize this fiscal support, to equalize the living conditions of citizens in the whole territory of the Russian Federation.

For example, it took the indigenous people of the central regions of the Russian Federation decades to domesticate the eastern and northern regions of Russia. Millions of people were brought in for the construction of the trans-siberian railway, for cultivating virgin soil, and so on. They settled there and are far from always living comfortably there. But in some of these regions that we too have depleted to a large extent: how are the people who live there to blame? The state must consider how to ensure that the citizens of Russia enjoy equal opportunities throughout the territory of the Russian Federation. And our work together with the heads of the regions of the Russian Federation is designed to ensure this.

QUESTION: Good afternoon. I am glad we have finally touched on the Far East. Thank you very much.

You mentioned the APEC summit briefly at the very beginning of the press conference and talked a lot about the development of Sochi, on improving Sochi. Meanwhile the APEC summit will take place in Vladivostok two years earlier than the Olympics in Sochi. In Sochi, we have seen a lot of development, a lot is being built, and there are already concrete plans. In the Far East, over the past three years we have heard about perhaps 15 different projects for bridges, have not seen anything or heard anything concrete. There are a lot of rumours and, quite, frankly, few people believe that anything will really come of this, since the situation with crime is more and more frightening. I would like to know how true this all is and maybe hear something to reassure our residents.

If possible, a second question that also deals a little bit with the APEC summit. If the social development of the Far East and Primorsky Region is planned, then perhaps my question really does affect me and other young people. Personally, I would want to already have a child, but ...

(Applause)

VLADIMIR PUTIN: Allow me to applaud along with our other colleagues.

AUTHOR OF THE QUESTION: Thank you very much.

VLADIMIR PUTIN: But why are you asking me about this?

AUTHOR OF THE QUESTION: Unfortunately, the housing prices in our region and even a family budget of about 60,000 rubles (this is far from average, it is well above average in the Primorsky region) do not always allow this. I would even say that it almost never does. It is frightening to think of a child in this situation, it sends shivers down my spine: either one can live in a small apartment with a child or perhaps we should live as in Europe and before the age of 35 find a house, make money and, only then, give birth to a child...

VLADIMIR PUTIN: In Europe people do not live this way before the age of 35. They receive an education, other skills, and then women try to establish a life for themselves. In my opinion, the average age of women who first decide they want a child is somewhere between 29 and 30. I could be wrong, it could be somewhere around 28 or 29. Then the desire for a second child somehow goes away, and this is a problem. This is linked with life priorities and is a complex demographic problem. Despite the fact that there is more money being paid in Europe in absolute terms to support reproductive health and population programmes, we are witnessing a different situation than that in Russia. I repeat that people have other priorities.

With regards to the situation in the Far East, I can only repeat what I have already said. The state was simply not able to focus on this region in such a way so as to not simply declare but really take – I'll say it straight out though I didn't want to – take, for example, funds from the federal budget to subsidize transportation, electricity, and lower prices for housing.

You understand that we nevertheless have very strenuous commitments. Of course we can now make more expenditures thanks to our oil and gas revenues, but then inflation would take off and even go beyond 11 per cent. But nevertheless we have to keep in mind that, even if it does not look like a market-based situation, we can at least temporarily take on a certain load and create favorable conditions for life in the Far East and eastern Siberia.

You know that there is a federal target programme and we are conducting this dialogue in detail with the regional leadership. The programme provides for substantial federal resources for the development of infrastructure projects. This includes hosting the APEC summit. There has been no change of plans for this major international event. We will pursue this in Vladivostok.

Yes, it is perhaps true that the decisions on where and what to build have been a bit delayed. But the final decisions have been taken and we will implement them, and do so

in your region, in Vladivostok: we will expand the airport, build a road there, and finally build a bridge to the Russian island, and implement everything you were talking about earlier. Nothing has changed, we will do everything.

Tvoi Den newspaper, please go ahead.

TVOI DEN NEWSPAPER, MOSCOW: Thank you very much. Vladimir Vladimirovich, my question concerns our newspaper's name [Your Day]. In May, after the inauguration of the new President, what will you do on your first free day?

VLADIMIR PUTIN: I'll catch up on my sleep.

TVOI DEN: Thank you.

VLADIMIR PUTIN: Nuclear medicine: let's have someone from that sector.

OTV TELEVISION CHANNEL, SNEZHINSK: Vladimir Vladimirovich, how would you react to the following question and the suggestion that it should be examined at the governmental level: is it desirable to create regional centres of high-tech and nuclear medicine? There are at least three weighty arguments in favour of this. First, these centres can be established at existing Russian federal nuclear centres. Secondly, the population of remote regions will receive advanced medical technologies for the diagnosis and treatment of oncological diseases (we have such problems in this respect). And, thirdly, graduates who have training in the nuclear industry can apply their skills, high level of professionalism and knowledge of high-tech in a new field.

VLADIMIR PUTIN: It is a good idea. We have such a centre in St Petersburg, the radiology research institute. Anatoly Mikhailovich, the head of this centre, has done much in order to maintain this institution and also to ensure its efficient development. And of course such centres need support. Very recently, specialists in the field of nuclear power were at the centre and they told me that they were surprised by the level of what was being done in this medical research institution.

Of course it would be nice to continue to act in that same spirit, drawing on the highest achievements we have in this area, and bearing in mind the regional dimension. I am not hiding the fact that of course we must first and foremost implement our plans to create 15 centres of high-tech medical care using funds from the federal budget. We must build them, locate them, equip them, resolve personnel issues, and train the professionals working there.

Within this programme we can also consider the option that you just mentioned, but we should do everything consistently and be sure that we are realizing projects in stages. This is a high-minded objective.

Incidentally, today Sergei Petrovich Kapitsa turns 80. If we are talking about scientific matters then, as a rule, they are represented by specific people. Sergei Petrovich, I think,

deserves to be remembered on his birthday and congratulated on this impressive date. Let us congratulate Sergei Petrovich Kapitsa. (Applause) Thank you very much.

Aginsky Buryat Autonomous District, please go ahead.

QUESTION: On 1 March 2008 a new region of the Russian Federation will be formed, the Trans-Baikal Krai. In light of the policy of consolidation of regions can you please tell us if a federal law on the special status of the region will be adopted, and if so then when?

VLADIMIR PUTIN: You know, I am not going to talk about specific legislation now. Our task consists in helping the regions that have taken the decision to expand accomplish the tasks they had set for themselves before consolidation. In other words, we will agree with these regions on a certain amount of support from the federal government for the implementation of a number of programmes. We will execute everything that we negotiated with the leaders of your region. This is the first thing.

And the second. Despite any mergers of regions we must – and I would like to stress this because Russia is a multinational country and this is therefore essential – ensure that representatives of the various nations, nationalities and ethnic groups feel that no harm is being done to their plans to develop their language, culture, or knowledge of the history of a given people. This ethnic and cultural autonomy can and should be the focus of our attention. Whether or not we adopt such a law, in practice we will proceed in this direction.

Kaliningrad, please go ahead.

QUESTION: Thank you, I thought my time had passed. Kaliningrad would not understand if I didn't ask a question.

Vladimir Vladimirovich, you visited in the Kaliningrad region and you know our situation. Indeed, the people consider you one of us.

VLADIMIR PUTIN: Thank you.

QUESTION: Earlier on Kaliningraders lived and travelled to Lithuania and Poland easily, without visas. The extension of the Schengen zone created a problem: it now costs 35 euros to get a visa. My question is not as narrow-minded as it might initially seem. Russia and the European Union have long been engaged in talks about visa-free travel and the Kaliningrad region has always been a pilot region, as we are referred to in talks with the European Union, and certain models are being tested here. Maybe we could start with this? And, in general, what should people from Kaliningrad expect on this issue, will they receive any help?

VLADIMIR PUTIN: First of all, we must ensure normal communication links between Kaliningrad and other parts of the Russian Federation. We must develop marine transportation, ferry services and we will continue to do so.

As far as I know, we managed to reduce the tension related to the rates for air transport a little bit, there are positive changes taking place and we will continue to act in the same spirit. Transit must proceed through neighbouring states by rail and highways.

With regards to facilitating the visa regime: I just spoke about this with the Prime Minister of Poland, and we are engaged in a dialogue with our Lithuanian partners, with all the countries of the European Union. The first step which could be taken towards protecting the interests of the people who live in Kaliningrad is to agree on a special regime for the border regions. In fact, the entire Kaliningrad region could be included in such a regime. We are currently negotiating this issue.

But in the future, in the long run, I believe that Europe should have no dividing lines or Berlin walls. And that travel for citizens of EU countries and Russia should be done freely, without visas.

Where is the army? Please go ahead. Do you represent the army?

STAR RADIO: In December 2007 soliders' allowances increased by 15 per cent, and this year will rise by another 18 per cent. But the growth of inflation makes all these increases quite insignificant. I returned yesterday from Tajikistan where we deploy the 201st military unit and servicemen have the following problem: they offset the effect of the increase by introducing a 20 per cent tax on profits. In other words, all the increases were immediately annulled. The situation in the army is that, in spite of everything, the well-being of Russian troops remains very low. Tell me please when will it really get better?

VLADIMIR PUTIN: You know that servicemen, federal officials and, in general, public servants whose well-being depends directly on the budget are, of course, always thinking of how to increase their well-being. And I generally think that your question is fair. I have already said that it is very important to balance key indicators, namely maintenance and equipment [of the Armed Forces]. In previous years we mainly spent money on maintenance and did not think about equipment. Now we are equipping the army and try to solve associated social problems.

There are two social tasks. The first is the level of income, monetary provisions. You mentioned the increases and improvements that will be made this year. Of course we will provide them. This is the first thing. The second: of course we will closely monitor inflation and adjust incomes accordingly – for pensioners, those who work in health and education, and the military.

Another very important issue and problem is housing. Over many years little or nothing was done. Moreover, servicemen generally felt that the state was never going to be able to solve this problem, was not in a position to solve this problem. Nevertheless, the

number of people who received permanent housing last year has, of course, significantly increased. And not only because of the «15 plus 15» programme (an additional 15 billion was given twice). We have been able to solve this problem in the most sensitive regions of the Russian Federation, where housing is more expensive than in other territories: in Moscow, the Moscow region, St Petersburg, Kaliningrad and the Leningrad region – in these five regions.

We will continue this programme in the coming years to resolve not only the issue of permanent housing, but also that of accommodation during service, so that people feel comfortable not only after their service, but in the course of their official duties.

We certainly will develop mortgages. They have not been developed enough. I am referring to subsidised mortgages, you know this well, one that will only be for the Armed Forces.

With regards to income, I repeat, we know this is problem and will certainly implement what we have promised and react quickly to changes in inflation.

Regarding the division in Tajikistan (and the fact that something was given but then taken away in the form of taxes), I promise that I will come back to this to look further at what is happening there. I will be sure to do so.

SPORT YAKUTIA NEWSPAPER: At the beginning of the press conference you said that there are many activities planned in the Far East. This year the international sporting event Children of Asia, an event that brings together children under 16 years of age from all over the continent, is being held for the fourth time in Yakutia. I would like to ask your opinion on the role that international sporting events can play in the Far East, in light of the fact that sport has been elevated to the rank of national policy.

VLADIMIR PUTIN: A positive role. They always mobilise financial resources, administrative ones, as well as always force the organizers to increase the level of sports and improve sports facilities. We can only welcome and support this.

Khanty-Mansiysk, please.

YUGORSKOE VREMYA: Vladimir Vladimirovich, I want to ask about the middle class. Do you think that today Russia has a middle class and could you describe a typical member of the Russian middle class. Who are they?

VLADIMIR PUTIN: You know, there are no clear criteria for describing the middle class. If you hold an opinion poll then today many citizens consider themselves to be part of the middle class, although of course this depends on the level of consumption and quality of the services that people consume. I already talked about this at an extended meeting of the State Council. I believe that 60 or perhaps even 70 per cent of the total population should be able to consider themselves part of this category by 2020. We need to increase revenues and the quality of services, and we will do so.

Again, no clear criteria exist. If we solve problems related to poverty, then the number of people who regard themselves as belonging to this category, the middle class, will increase automatically. Today this is our most important task in the social sphere. The gap between the categories of persons or citizens who receive huge incomes and those who are still very modest is very high – some people receive 15 times less – and absolutely unacceptable. This is one of the major challenges for the next decade: the growth of the middle class and reducing income inequality.

Minsk, please go ahead.

SOVIET BELARUS NEWSPAPER: I want to return to international politics. My question is, of course, about Belarusian-Russian relations. Can you evaluate the dynamics of the Belarusian-Russian dialogue over the past eight years? Do you separate the issues of bilateral relations and building a Union State? Could this still happen after March 2 when you will be working somewhere in a different position, on the other topics, and could your attitude change...

VLADIMIR PUTIN: You are making me nervous, you are shipping me off somewhere: «you will work somewhere.» I already answered this.

SOVIET BELARUS: I was just leading up to the fact that your attitude towards integration could potentially change.

VLADIMIR PUTIN: No. I have made up my mind about this. In international affairs the construction of the Union State together with Belarus is an unconditional priority for Russia. We are prepared to go as far as our Belarusian partners want. First of all, in my opinion, the focus should be placed on economic integration.

One of the priorities we have set for ourselves is the task of creating a single currency based on the Russian ruble. Today, the Russian financial system is more stable than ever before, I am sure that for the Belarusian economy, for the citizens of Belarus this would only be beneficial. But, again, this can be done only if our Belarusian partners wish it. We are not going to impose anything.

In the social sphere and in customs relations much has already been done but much remains to be done. We need to unify our customs tariffs, we need to create an environment in which we do not suffer from mutual fears that Moscow and Minsk are taking inconsistent economic decisions. Overall, there are things to be done. We will act in this field. I am confident that there will be no changes in foreign policy towards Belarus as of March.

LE FIGARO: At the parliamentary elections the United Russia party list you headed received 99 per cent of the vote in Chechnya, with a 99 per cent turnout. There were similar results in Ingushetia. Do you think that these are real figures? And what do you think, will Dmitry Medvedev repeat these results in March?

VLADIMIR PUTIN: Who among us is from Chechnya? Here is a colleague from Chechnya. Do you think this was the real outcome of the elections in Chechnya?

FROM THE HALL: I think anyone who has been in the Chechen Republic since United Russia led parliament probably knows for himself exactly what the party is doing in the republic. There are dramatic changes in the economy, the social sphere, with respect to the restoration of infrastructure, and housing. These are absolutely authentic figures. Personally, all my acquaintances, including myself, voted for United Russia, primarily because we want stability.

VLADIMIR PUTIN: Yes. You know, I share the opinion of your colleague. After all, people are tired. The civil war lasted almost a decade and people finally saw the light at the end of the tunnel: they realized that they are being treated with respect and that their interests are being taken into account. And federal authorities finally stopped just talking and actually made real investments into rebuilding social infrastructure and the economy.

When I first came to the Chechen Republic in 1999 we met with the locals in a school. There was not even a place to sit. They told me that even the children bring chairs with them to school. And this in the context of the constant threat of international terrorism. Indeed, it developed so that the Chechen people themselves were being kidnapped. That had never happened before in the previous decades and even centuries. They started to make money by kidnapping members of their own, Chechen people! Two thousand people were sold on the Grozny market! Sold like cattle! But people are tired of this situation. So I fully believe that these are objective figures that concern a political force which people associate with the revival of the republic.

Can Dmitry Medvedev count on the same figures? I do not know, let's see.

NIZHEGORODSKY NEWS: When I was going to the press conference my daughter, who just completed grade 11, asked me to ask a question. This year for the first time, throughout Russia pupils are taking a national exam. We see how our children are preparing and how much time it takes. And next year all exams will be nation-wide. Can this be prevented? At least so that not all examinations are national standardized tests?

And about paying for higher education: there are fewer and fewer places subsidized by the state budget...

VLADIMIR PUTIN: We will strive to ensure that the so-called subsidized places are not reduced. We do not have the goal of transferring to a paid-for system of higher education in the Russian Federation. The Government does not and will not have such a goal.

There are drawbacks to national standardized tests. We have talked about this for the past few years. I will not repeat the drawbacks: they involve grouping everyone together and many other issues. But there are positive aspects, including in the fight against corruption, as we said at the beginning of our meeting. And the number of young people

who enter the country's best universities as a result of the nation-wide exams has visibly increased. Along with this I understand the concerns of the heads of leading universities, who suggest that these universities should be given the right to choose among applicants. In my opinion, this issue can be resolved: we are in dialogue with university rectors and will continue to improve the system.

SVOBODNYI CITY NEWSPAPER: First of all, on behalf of the Amur people (I represent the Amur region and the city newspaper of the city of Svobodnyi) I would like to say thank you for the fact that when the issue of where to put the cosmodrome was discussed you signed a decree and chose the Amur region. I think that the speech you gave in the State Council on the innovative development of our regions will act as an impetus for development in our area. I have a question. We almost have trouble believing in this project. How would you personally evaluate its prospects? This is the first question. And are you planning to visit the cosmodrome during its construction and be there in 2018 when the first launch will take place?

VLADIMIR PUTIN: I do not think these plans are unrealizable. We will develop Plesetsk, we will stay at [the] Baikonur [Space Launch Centre] in Kazakhstan but, of course, we have to think about the fact that part of the missile technology which we use to implement our major space programmes should be launched from Russian territory. This applies to both civilian and military components.

Yes, I signed the decree, but the decree was not signed without rhyme or reason. Prior to this a large group of specialists from the civil space sector and from the military spent a long time studying various territories of the Russian Federation, including the Pacific coast, considering possible launch pads for various types of rockets and how this could be combined with the regional economy. You know that the cost of the launches depends on where the launch centre is located, on the location of a cosmodrome. By comparing all of this, and taking into account the existing, if slightly dilapidated, infrastructure, we reached the conclusion that all these indicators pointed to your region as the best possible place. And these are, of course, absolutely real plans: we will act carefully, in accordance with our economic possibilities, write down everything, make all calculations, work towards that goal, and achieve it.

The Caspian «capital», please (it's like at a popular assembly in ancient Novgorod, whoever shouts the loudest will get heard).

ASTRAKHAN LOTOS STATE TELEVISION CHANNEL AND RADIO: And what can we do? I would like to ask my question, because I see that there is very little time left for our region.

Vladimir Vladimirovich, I first want to join my colleague from Shest sotok who said that these press conferences provided an opportunity to solve regional problems. A year ago, I asked you a question about some slippage on amendments to the law on fisheries. Thank God, after the press conference, they were all quickly adopted. Whether this will work or not, time will tell.

I wanted to ask you this question. Astrakhan now calls itself the capital of the Caspian Sea. Now the region is actively preparing for its 450th anniversary. In your opinion, how should the capital of the Caspian look? We would like to know if you think the provincial government should do something about it, or perhaps everyone in our region in order to justify for this status?

VLADIMIR PUTIN: Astrakhan is indeed one of the important points in the south of the country. I don't want to offend anyone, but when I first went there, I was appalled by the condition of the city. That's why we used the 450th anniversary as a pretext to pour money into the city, in order to make it look decent and to make life more comfortable for its citizens. In my opinion, the general plans for the reconstruction of the city are being carried out. Perhaps you yourself have seen all the building going on there. There is no question that tomorrow it is going to look very different than it does today.

And what should the local and regional authorities do in this regard? They should work in a more goal-directed fashion to determine the development priorities of the city. At the end of the day, in determining priorities for spending money that has been budgeted, you can make up a list of priorities, first, second, third, fifth and tenth, but the emphasis has to be on creating a congenial environment for the people who live in this region. I think that now we have to create the sort of cooperation among federal, regional and city authorities that will allow us to meet the objectives we set for ourselves relating to the development of Astrakhan.

Ingushetia, please go ahead.

QUESTION: First, if you will permit me, I would like to say literally just a couple of words to our colleague from the distinguished Figaro newspaper. I just want to say two words. Our troubles in the region begin when outsiders start to meddle in our internal affairs, including people from abroad. With regard to the election results. I do not work for the electoral commission, but I can say something about the results. Speaking for myself as a voter and for my family, another ten voters or so, we all voted, and we voted for the incumbent President Vladimir Vladimirovich Putin.

And now my question is very much related to this subject. In fact there have recently been various attempts to destabilize the situation in our region, including those from overseas. Do you think that these can be dealt with and, in general, how do you see the overall situation in our region?

And my second question. No matter what the election results, there is the problem of the return and resettlement of refugees from North Ossetia, a total of about 20 thousand people, who are still in this region, which obviously has an impact on the socio-economic and socio-political situation in the republic. If you become prime minister, will you continue to devote yourself to this issue until it is finally resolved?

Excuse me, Vladimir Vladimirovich, there's something else. Maybe I now hold the record for most questions asked. I come to this press conference almost every year, I want to thank you sincerely for listening so attentively to our sometimes badly formulated questions. Thank you.

V. PUTIN: Regarding the most urgent issue you raise, that of immigrants and refugees. Of course, we have to solve this problem and solve it in a way so that people who live in regions to which the refugees have to return will accept them. Simply using formal or legal means of putting pressure on the local population does not create favourable conditions for coexistence. This requires patience and perseverance, and the federal authorities need to help with the material problems associated with the refugees' return. Those who want to purchase homes in other locations should have the opportunity to get the funds from federal funding sources.

Finally, concerning the attempts to destabilise the situation. For some reason someone decided that Ingushetia is the weak link in the Caucasus. In fact, we see attempts to stir up the situation with various slogans, including ones in the name of the current President of the Russian Federation. I have kept a close eye on what is transpiring there. What does this tell us? The regional and federal authorities need to target more effectively the problems created by the social challenges of the people who live there. Unemployment in Ingushetia today is at an all-time high, and we are well aware of it. But we have development plans for the country, and of course we will use those plans to give our unconditional support for the residents of Ingushetia. And we will feel the effects of this support.

SOS: what is it? What happened?

RUSSIA-URAL RADIO AND TELEVISION COMPANY AND URAL RADIO PROGRAMME VMESTE: In our district, people also believed in the possibility of stability and prosperity, and the birthrate has increased. I am myself the mother of two small children who are being raised in an environment characterized by kindness and faith because among other things they don't know what a kindergarten is and do not watch TV. We do not seem to be able to avoid school, and school has suffered a moral catastrophe: there is no moral education, all the children care about is power and money, they consider chastity as an anachronism, they don't respect their elders, and they cannot tell good from evil. Many parents are unhappy with the School 2100 programme. The textbooks seem more like comics, the place normally occupied by a moral education has been taken by people with sectarian interests and witchdoctors.

Vladimir Vladimirovich, my word of honour, people will have more children but please protect our children from this soulless education and the corrupting influences that assail our children from all directions.

VLADIMIR PUTIN: I agree that there is a problem, but I do not think it is as apocalyptic as you suggest.

VOICE: It's worse.

VLADIMIR PUTIN: Worse? There certainly are problems with the quality of education. And computerisation alone cannot solve all these problems, it's true. We need to introduce completely new methods of education, we need to pay more attention to teacher training. I have already talked about this, but I want to say again: the average teacher's salary is about 80 per cent of the national average. It should be higher than average, because that would give us the opportunity to attract new teachers and staff. Educating teachers better, paying more attention to the democratic process, paying more attention to child development and taking into account his psychological characteristics, and doing more one-on-one work with individual children are all necessary. And to do these things, the level of teacher training must be significantly improved. This is a complex task, and a simple order or decree issued by Moscow will not solve this problem. We must deal with the situation together, using every possible opportunity and the media.

You have a personal question? Please go ahead. Personal for you or for me? Please go ahead.

STATE RADIO AND TELEVISION, KOSTROMA: Eight years ago in an interview with journalists, Liudmila Putin admitted that when learned that her husband was to become president, she burst into tears.

VLADIMIR PUTIN: Of joy I presume.

STATE RADIO AND TELEVISION, KOSTROMA: She explained she knew just how very little time is left for the family in such a position.

How did your wife react when she learned that you had again decided to dedicate yourself to work for the benefit of the state?

VLADIMIR PUTIN: She was not overjoyed.

«With love for Russia» – I cannot skip this slogan. Please go ahead.

IVANOVO PRESS: Vladimir Vladimirovich, your efforts enjoy the broad support of the people of Russia, but you cannot be expected to deal with these problems alone. You need help from the governors and the regional authorities. Unfortunately, some of the governors have not made much of an effort, in the fight against corruption, for example. So should the governors be held responsible for their inaction?

VLADIMIR PUTIN: All levels of government must be held accountable for what they do in an inappropriate manner. As you know, crimes can be committed as a result of both: a criminal act or criminal inaction. But on the whole the team of governors is doing good work.

Of course people vary, regional governments are large, there are a lot of regions and many governors. But I can tell you that I have worked with these people for eight years, and, of course, some of them could do more and some, as you know, have resigned from their positions. But on the whole the governors are ready to develop not only their own regions but also Russia as a whole. They are professionals and determined to meet the ambitious targets we have set for the development of their regions and Russia. Overall, I have no problem with them.

Omsk.

QUESTION: At the last press conference, we were determinedly asking you, for example, what you would do when your presidential term was over and who would be your successor. At that time you chose not to answer the question. Now we know the answers to those questions, but I would still like to know if you really did not know the answers to those questions or if for various reasons you kept silent. Decisions such as the appointment of Viktor Zubkov, the decision to head the list of United Russia, the decision to support Mr Medvedev, and to become prime minister – was all this part of a political plan, or was it a kind of unique improvisation?

And as a supplemental question: when you are the prime minister, will Dmitry Medvedev's portrait be hanging in your office, or do you prefer your own portrait?

VLADIMIR PUTIN: I will begin with the trite part of your question about which portraits will be hanging in my office.

I think that the president and head of state, particularly in a large, powerful, great country like Russia, is not entirely but all the same one of the symbols of the country, like the flag, the coat of arms or anthem. This is not entirely true but the basis for this symbolism exists. I do not see anything scandalous in the fact that a state official has a portrait of his leader in his office. I do not see in this any sort of hero-worship or adulation. It is part of the trappings of statehood, as I said, like the flag and the coat of arms.

As for my relationship with Dmitry Anatolyevich, if he does choose me to be Prime Minister, then there would be certain unique quality in this, which is precisely that I have been president for eight years and not done a bad job. In order to establish a good working relationship with Dmitry Anatolyevich Medvedev, if he is elected President, I do not have to bow his portraits. We have enough other means of building relations, a working relationship that would allow us to work effectively to solve the general challenges facing the development of the country.

As for the plans, how they changed and whether I knew a year ago where we would be today in terms of the political process: no, I did not know. I had a general idea of how we should proceed and what we should aim for, but I was not one hundred percent sure of either the personnel or the details of this process.

Regarding the appointment of Viktor Alekseevich Zubkov as Prime Minister, it was to ensure one thing only: that the Russian Government functioned effectively in the pre-election period. And that task has been achieved.

Chechnya, please go ahead.

QUESTION: My question is not one that concerns all the residents of Chechnya, but a significant number of them. To date the residents of Chechnya have still not been fully compensated for their housing and property that was destroyed during the hostilities. The designated amount was 350 thousand rubles. Ten years later, this amount has not changed. What can be done regarding this?

VLADIMIR PUTIN: When we negotiated this compensation, we were thinking of 30 thousand people. Now the number of those who need compensation is still to be determined, and the figure is constantly growing. This is not unique to the Chechen Republic. The same thing has happened to us, for example, when renovating houses or arranging compensation in other regions of the Russian Federation, where people are faced with some technological or natural disaster, say, an earthquake or the aftermath of a flood. It is amazing but true that some people even destroy their own houses in order to receive compensation. True, these homes are worthless. But we will strive to satisfy everyone who has a right to apply for this compensation. With regard to indexation, it is also possible. But in the final analysis we need to work together with the leadership of the republic definitively to determine the number of people who have the right to receive this. We will not abandon this issue, we will see it through to the end.

NOVYI GOROD NEWSPAPER, SAROV: Vladimir Vladimirovich, up until recently the nuclear centre attracted the best graduates from the country's best universities. But today the situation has changed. Because of the problems with relatively low wages and problems with housing the nuclear centre is not as attractive as it was for young professionals. How can we solve this problem?

VLADIMIR PUTIN: I have already addressed this question. We raised the age limit from 30 to 35, and more people are now able to take advantage of housing programmes for young families. That's the first thing.

Secondly, we simply must raise the level of wages. I am well aware of the problem. Nevertheless, in recent years, in the past few years, young professionals have come into this industry. We will create a preferential system in the industry because it is important for us not only as a civil industry, but also in terms of ensuring the country's defence. We fully understand this, we see the problems and will resolve them, make no mistake about that.

Saratov, yes?

This is the city of Saransk.

VLADIMIR PUTIN: Saransk? Well, okay, go ahead Saransk. It's also a good city.

IZVESTIA MORDOVIA, SARANSK: First, I wish to pass on to you a valentine from Danila Bublenco. This is the boy who was sitting between you, the current president, and, we hope, the future president, Dmitry Anatolyevich Medvedev, at the opening ceremony of the Year of the Family in the Kremlin.

VLADIMIR PUTIN: Thank you.

NEWSPAPER IZVESTIA SAROVA, SARANSK: We know that you love children very much, and you have also helped our boarding school a great deal, for which these children are also very grateful (and this is also in addition to what has been already said to our colleague from Figaro). Mordovia voted too, our results were third in the country. I didn't show this place of worship by accident, it is the cathedral of the righteous warrior Feodor Ushakov, and in August 2006, you opened a monument to our great naval commander who, as you know, never suffered a defeat. In the same way, I think that Russia has never suffered a defeat with you at the helm; in fact we have been triumphant. The party United Russia won with you and the country, Russia united, also won with you, and I am sure that we will continue to win.

Here is my question. In July 2007, you presided at a trilateral summit with the leaders of Hungary and Finland at the international festival of Finno-Ugric peoples. Everyone recalls this event and it has been discussed a great deal since in the press. My question is this: would it be possible to consider the capital of Mordovia as the site for such international events, for summit meetings concerning the development of future relations with Hungary and Finland, and for economic and cultural cooperation? In the final analysis, this is part of the Finno-Ugric world.

VLADIMIR PUTIN: The next event of its kind is a conference of the Finno-Ugric peoples scheduled to be held in Khanty-Mansiysk. But Mordovia is an interesting site for that, because it is at the centre of the country, is developing at an impressive rate, and pays a great deal of attention to national culture. (I am thinking of the opening of a theatre and some other gestures of support for the culture of the Finno-Ugric peoples.) Why not? Of course, we will be happy to provide such a site, and will help regional and republican authorities in dealing with these matters. We will be happy to do so.

Father's Day... that's very interesting: you are proposing such a holiday?

LIPETSK TIMES: That is in effect the idea. It's not my idea, but rather it comes from all the women in Lipetsk. The fact is that we in the region have established such a holiday, Father's Day. And we want it to transcend its regional origins...

VLADIMIR PUTIN: What is the father's name?

LIPETSK TIMES: The point is that we reward a number of different fathers, by giving them bonuses, and we even had some special awards minted at the mint in St Petersburg.

And we want to share our joy, we want this holiday to be granted national status. What do you think?

VLADIMIR PUTIN: You certainly need a father and a mother to have a baby. Moreover, the father is also responsible for supporting the family and ensuring its material well-being. And raising children is an extremely important job for fathers. The more responsible, the more willing to take on these duties the male half of the country's population becomes the better.

I think what we are doing today, and hosting the Year of the Family in Russia, is a way of achieving the objectives that we set ourselves in the field of demography and family support, for both mothers and fathers. But if you in the region think it possible to celebrate Father's Day and it is being held appropriately, I think this is good. This would certainly contribute to strengthening the family, and therefore, would be in the interests of women in the end. So in this way you have very subtly moved in the right direction. As for whether it should be extended to the whole country, we will think about it, okay?

Ufa, please go ahead.

We need to finish up soon. I think it's pretty clear that we've already set a record. True, this is our last encounter of this kind...

BASHKORTOSTAN STATE TELEVISION AND RADIO COMPANY, UFA: Four hours and 15 minutes already.

I have a question for you. In fact, it's not my question, I actually borrowed it. Eight years ago, the foreign press asked you this. I think that now, as you complete your second presidential term, it's still very relevant: who are you Mr Putin?

VLADIMIR PUTIN: What is this about the foreign press all the time? Let them solve their own problems. They are struggling with obesity and have a lot of other issues. You should have asked about something that interests you!

I think that I have answered this question in deeds if not in words, for the last eight years, by conscientiously fulfilling my duties as head of state. In my view, I have not betrayed the hopes of the citizens of the Russian Federation, and this is most important to me.

VPERED NEWSPAPER, NOVOSIBIRSK: You constantly talk about innovative paths for the Russian economy. When you are prime minister, what sort of innovation do you see in the development of nuclear energy?

VLADIMIR PUTIN: We have adopted a programme of nuclear energy development, which you certainly know about. We believe that this is one of the competitive advantages for our economy. Our science is highly developed and our personnel is very good. Our colleagues at the nuclear centres have already suggested this, have talked about this. There are nevertheless problems in this area. Developing nuclear power will

not only resolve pressing economic problems, but also ensure the defense of our country. In broad terms I think that the federal budget should more enthusiastically support the plans for developing nuclear energy. But, of course we need to do this by juxtaposing our capabilities with the realities in which we find ourselves. Certainly, one of the main priorities in the development of nuclear power is safety. We are the country that experienced the Chernobyl disaster. That is firmly in our minds and we will never forget it.

MOE! NEWSPAPER, VORONEZH: Vladimir Vladimirovich, you have a legal education, and perhaps you are familiar with the term «presumption of innocence». It applies to us in law, but perhaps not as often as it should. But it seems to me that it would be a good idea to use it in some other areas, for example, in the area of social policy. Here is a brief example. For example, in Voronezh we pay women, poor women who are breastfeeding, 40 rubles a day from the start of the new year (this is far from being much money but still), but to receive it they have to appear before a special commission every three months to prove that they still have milk.

I think we have dozens of examples of this kind. For instance, when 80-year-olds have to go to the Pension Fund office and write an attestation in which they promise that if they suddenly return to work, they will be obliged to report it to the pension fund. Everyone in this room can come up with similarly absurd examples. It's as if we need to reconsider the whole subject of the relations between the individual and the state to create greater trust. I think that here the state should take the first steps. Perhaps then people will respond in kind, if they're not constantly suspected of being swindlers, they will begin to have confidence in and respect the state.

VLADIMIR PUTIN: All I can do is agree with you.

MOE! NEWSPAPER: Here we obviously need a whole new set of rules.

VLADIMIR PUTIN: Of course, but unfortunately we are obliged to live by the principle of «trust but verify». However, all these checks should not be demeaning for citizens, I absolutely agree with you.

RUSSIAN VICTORY NEWS AGENCY AND VICTORY JOURNAL: At an expanded session of the State Council, you spoke about new weapons. On 12 February the strategic nuclear power cruiser Yuri Dolgorukii was launched and equipped with Bulava missiles. And there are two other cruisers under construction: the Aleksandr Nevskii and the Vladimir Monomakh. Will there be some accelerated funding for the early completion of this work?

And I have another question. You are the head of the Russian organizing committee Victory. Veterans these days are very worried: in two years we will be celebrating the 65th anniversary of the Victory, the entire country will be celebrating. Yet there are 98 thousand soldiers still without apartments. Veterans are also concerned about the problem of burying our soldiers abroad.

VLADIMIR PUTIN: Regarding the question about burial abroad, we are in constant dialogue with our partners, and in many countries they are giving this their serious attention, and we are of course very grateful for that. There is a well-known, scandalous situation in Estonia, but I don't want to talk about that now. I hope that we can now turn the page and find some common ground on which we can discuss issues of this kind with the Estonian authorities. Sneering at the memory of our fallen soldiers, especially those who died during the years of struggle against Nazism, is unacceptable under no matter what the pretext.

With respect to the first part of your question about the construction of strategic missile cruisers, of course we will continue with this and see it through to the end. We have a plan for building up the Armed Forces and Navy. I do not think it is the best plan; on the contrary, I believe that there is a lot to think about: for example, planning to strengthen and increase the number of new submarines, surface ships and other means of fighting at sea. But as regards accelerating the funding, I don't think that is necessary. The best is the enemy of the good. We need to ensure stable financing, timely funding. And if we try to speed up the financing for this, we won't know whether we can pull it off or whether we have the resources to do so, not only financial but other resources as well. So all sorts of problems would ensue. We need to do everything on time and according to schedule.

«Fatima» – what is that?

STATE TELEVISION AND RADIO COMPANY, INGUSHETIA: You already said today that the North Caucasus is very beautiful and we should do everything possible to ensure that citizens holiday in their own country rather than go abroad.

VLADIMIR PUTIN: No, I did not say that. Last year six million Russian citizens travelled abroad, and thank God they did! We must help people relax wherever they like, but at the same time create conditions so they want to holiday in their own country.

STATE TELEVISION AND RADIO COMPANY: I have a question about this. The mountains of Ingushetia, the Dzheirakhsii region (where a «Putin street» was created long ago) is just as good as Sochi, Tuapse and other resort zones. But tourism is not very developed in Ingushetia, especially in the Dzheirakhsii region. In the near future will more attention be paid to this territory and the development of tourism in Ingushetia?

Second: I would like to say thank you on behalf of the entire Ingush people for giving Malgobek the honorary title of City of Military Glory.

VLADIMIR PUTIN: Malgobek deserved it. And the citizens who lived there and still live there have earned this honour. For that reason those words of thanks should be directed at our veterans who earned this honour with their blood and at the cost of their lives.

As to the development of tourism, of course the North Caucasus is a jewel. Without a doubt – let me speak frankly – we need to address security issues and develop infrastructure there. It is certainly not true that we are simply throwing money at Sochi and forgetting about the other regions of the Russian Federation. Even as we prepare Sochi for the role of 2014 Olympic capital, and I have already spoken about this, we plan to create new training facilities in thirty-odd regions of the Russian Federation. But the ski resorts in the North Caucasus, in Kabardino-Balkaria, Ingushetia, and Karachaevo-Cherkesia have been a traditional place to holiday since Soviet times. Of course we should get back to doing what we did then.

ROSSIISKAYA NEWSPAPER, NORTH CAUCASUS: I also represent the North Caucasus, I'm from the Rossiiskaya newspaper.

I wanted to draw your attention to the fact that the North Caucasus is not only composed of Chechnya, Ingushetia, and Kabardino-Balkaria. It also contains the Stavropol region. In the Stavropol region the indigenous population is Russian-speaking. But recently the indigenous population has been moving to Central Russia. They are leaving and the residents of neighbouring republics are moving in. On the one hand, this is good, this is a positive, and no one can say that we should not let them into the territory of the Stavropol region. But, on the other hand, it is a big problem because the events of May and June still remain in people's memories, and after the murder of two Russian students there were all those «Russian marches» in the region. Everyone remembers these events. Will this situation stir up a new wave of ethnic discord? And what can the federal centre do in this respect?

VLADIMIR PUTIN: We must create a supportive, comfortable environment for the citizens of the Russian Federation, regardless of their nationality or ethnicity, so that they can live anywhere in the territory of the Russian Federation. And we must do so regardless of whether the person belongs to a certain ethnic group or to a given republic. Any Ingush should have the right to live anywhere in the territory of the Russian Federation. A Russian, Mordvin, Chuvash, or Tatar should enjoy the same rights anywhere in the Russian Federation. Only then can we ensure inter-religious and inter-ethnic peace as well as create the conditions for strengthening Russian statehood.

St Petersburg I can't leave you out: please go ahead.

Let's do it this way: let's take five more questions and we'll finish.

QUESTION: I have three quick questions. They are very short. I think you can answer them quickly.

What do you know about the presidential candidate Bogdanov? Do you know him personally? We would be interested to know.

What do you think about the fact that some of United Russia's lowest ratings in the elections to the State Duma were in St Petersburg? Why? How would you explain this?

And let us imagine 2018, 10 years from now: what is your position, what city do you live in, what are you doing? ...

VLADIMIR PUTIN: First of all, what I remember about Bogdanov. He said that if he is elected President then Russia's team will win the world championships of football. In my opinion this is not bad, but it is not enough. In general, it seems to me that he is quite an ambitious young man with progressive views. I think that we should treat him with no less respect than we would give any other presidential candidate.

United Russia, St Petersburg and the results of the State Duma election. Well, let us speak frankly and say that the speaker of the Upper Chamber of the Federal Assembly, Sergei Mironov, represented A Fair Russia. He himself is from St Petersburg and had the opportunity to work there. He is popular in the city. I think that this rating is mainly linked to the activities of A Fair Russia in St Petersburg. Someone loses and someone gains.

And finally, 2018. It is too early to tell. Let's wait until the election of the President of the Russian Federation on 2 March 2008 and the swearing in of a new government. And then it will be clearer.

KREMLIN TELEVISION COMPANY, NIZHNY NOVGOROD: It's our second question today: our region is lucky. The question is as follows: presidential candidate Dmitry Medvedev now has a website, Medvedev.2008.

VLADIMIR PUTIN: What does he have?

KREMLIN TELEVISION COMPANY: A campaign site. Yesterday when searching on the Internet, I found a Putin.2012 website. Did you know of its existence and what is your general attitude to the fact that your name is being used, because actually the site has nothing about you?

VLADIMIR PUTIN: They are climbing on the bandwagon. I do not know anything about this but I cannot prohibit it and do not intend to. Let them do what they want.

That was the second question.

Kazakhstan, please. The third.

RESPUBLIKA NEWSPAPER, KAZAKHSTAN: Vladimir Vladimirovich, I wanted to ask about Baikonur. In principle you have already answered that you will stay there, despite the fact that you are developing your own space launch centres in Russia. Our presidents in Central Asia would love to teach you how to stay in power and I have a question: have you ever tried to teach them on how to give up power graciously?

VLADIMIR PUTIN: I am not teaching anyone and don't allow anybody to lecture to me. I am trying to learn myself. To learn primarily from Russian citizens and learn to love my country.

As for the disposition of power in other countries, this is the sovereign affair of the citizens of these countries. And please spare me from the task of lecturing my colleagues in other states.

Let's take the fourth question from the balcony. Please go ahead.

NIVA ZAURAL MAGAZINE: First of all I would like to thank you for the fact that the state is paying attention to the problems of rural areas, something that we are now witnessing. Just yesterday I participated in the all-Russia rural gathering which took place in the Altai region. And it was there that I witnessed the fact that state support to the agro-industrial complex is substantial and calculated for the long-term.

My question concerns agriculture. Farmers want subsidies per unit of production or per hectare of arable land. How do you see this issue? Especially in light of a similar example in 2006 when fuel costs were subsidized, and this resulted in a sharp increase in production. Thank you.

VLADIMIR PUTIN: Regarding subsidies per hectare. This is one of the key issues in the debate on adopting the law on agriculture. In general, I see this in a positive light. The Government's economic departments consider that in contemporary Russia, where there are a lot of uncultivated agricultural lands, a sharp shift to subsidies per hectare would simply be a waste of public resources. This is because we don't have the sufficient technological base to improve everything all at once. There are a great many hectares, and even if there was more money available it wouldn't be possible to optimize the use of every hectare. That was the opinion of the economists in the Government. Overall, it seems to me that together with the deputies of the State Duma we have achieved an understanding of the principles according to which subsidies should evolve.

I am not going not go into the details now, details that you well know. In recent years we really have always addressed the problems of agriculture. And I want to assure you that we will continue to pay similar attention to them in the future. In spite of our plans to accede to the World Trade Organization we will certainly strive to protect the interests of domestic farmers. We do not need to accede for the sake of accession, so that some sectors of the economy will suffer. And agriculture is not just a sector of the Russian economy, it is also the fate of 40 million citizens of Russia.

There is a small positive result which you mentioned. Our challenge is to consolidate this positive work and ensure the continued development of Russian rural areas, both economically and socially.

QUESTION: In answer to a question you said that Russia should be a rule of law state. As President and as a lawyer, please tell me, Vladimir Vladimirovich, how developed is

the legal culture of Russians today? How should we improve the legal culture of our citizens and at what age should this process begin?

VLADIMIR PUTIN: I think you should start in kindergarten. And rightly so. We need to use the appropriate tools and methods of working with children to inculcate legal culture. Just as children learn basic literacy in kindergartens and start to learn about culture within their families, we need to instill legal culture in a similar way. And if the level of legal awareness is not very high in Russia, then it is not the citizens who are to blame, but the state itself. This implies that we have not paid adequate attention to this situation, and this is our shortcoming and our mistake. There were probably too many such errors and defects. But what I can say for sure is that I, and all the people who worked with me during these past eight years, were trying to ensure the most output for our work and that its benefits reach every citizen of the Russian Federation.

I want to thank you all for the work we've done together over the past eight years and your work today. I was very pleased to meet with you at previous conferences because our work was very substantive, even if not without some emotion. Our work is primarily directed at informing the public in the Russian Federation and the public in other countries about what is really happening in our country, how people really live, the problems they face, and how we are going to deal with the challenges ahead of us.

Thank you very much. All the best. Goodbye.