

PRESIDENT OF RUSSIA VLADIMIR PUTIN: Good afternoon dear ladies and gentlemen!

Thank you for the warm welcome. For my part, I would like to thank you all for the attention you have devoted to today's meeting. As far as I know, a record number of journalists have been accredited to cover today's event. I hope that it will prove useful for us all. In any case, I shall try to be as forthcoming as possible and answer all the questions that interest you.

It would seem natural to begin our meeting today with the Russian Federation's economic results, with our perception of our social and economic policies in 2005 and what we have achieved in 2005.

I should tell you at once that, as a whole, we are satisfied with the results of our work in 2005. I shall begin with general economic indicators which, in general, are well-known. Perhaps I am repeating myself, but nevertheless I would still like to list them. GDP (gross domestic product) growth was 6,4 percent. It is possible that this figure shall be slightly adjusted, but it shall not change significantly. We shall have the final figure sometime in March, but today we already more or less know the figure. This is quite good, especially since we had originally planned for growth of 5,9 percent.

The Russian stock market grew significantly in 2005.

Of course, all markets we refer to as developing markets grew. In Europe this includes Poland and Hungary, in Latin America it includes Argentina and Brazil, and in Asia it includes South Korea, one of the leaders in market capitalization. But even when we compare ourselves with the leaders, or a leader like South Korea where growth was around 54 percent, then we have 88 percent, an absolute record both for the world and for our country.

Naturally the growth of the Central Bank's gold and currency reserves was significant, simply a record. Let me remind you that in 2000 we started with 12 billion, today this already amounts to 185 billion and by the end of last year it was some 182 billion. The Government's Stabilization Fund also grew. And this has consequences for society at large: the average salary in the country grew by 9,8 percent, on average the population's income grew by 8,7 percent, and pensions grew by 13 percent, a significant increase. The incomes of our veterans have also significantly increased, both those of the participants in the Great Patriotic War and other similar groups.

All these economic indicators that I just named are given in real terms, that is to say that they take inflation into account. In addition, I would like to qualify this by saying that, of course, we are not completely satisfied with 2005. We were not able to keep to the levels of inflation that we had planned. As you know, we planned for 8,5 percent inflation and we shall have approximately 10,8-10,9 percent. It is slightly less than in 2004 but nevertheless represents significant growth. We did not manage to restrain the increase of the rouble's nominal and real exchange rates and this has had a negative effect on certain

developing sectors of our economy. But I repeat that as a whole we are satisfied with our work in 2005. In the field of politics, concerning political development, I would point out the creation of the Public Council, an essential instrument for civil society. I would point out the law which gives the parties that win regional elections the right to participate directly in choosing the heads of the regions. And of course I would mention forming the bodies of state power in the Chechen Republic. With the election of parliament this process has been brought to a close and the Chechen Republic has fully returned within the constitutional sphere of the Russian Federation. Of course, there remains many economic and social tasks and tasks concerning creating local authorities. But the problem of forming state authorities has been resolved.

Of course this is not all that we have managed or failed to do, but these accomplishments are fundamental and I would like to draw your attention to them.

I think that we should now turn to the main part of our meeting and I shall try to answer your questions. Please go ahead.

ALEKSEI GROMOV: Colleagues, please go ahead.

I think that you began the press conference last year and the year before that? Please introduce yourself.

ANDREI TUMANOV (Vashi 6 Sotok newspaper [gardening publication]): Yes, not only the last one but the one before that.

Vladimir Vladimirovich, at the last press conference we touched on the difficulties of privatising gardens and vegetable plots. We talked about this and then the Government studied the question and even Fradkov called it 'the garden nightmare.' It has been announced that a 'garden amnesty' is being prepared. What do you think, will the Government's promise to bring an 'garden amnesty' result in a situation whereby an average person could privatize her plot of land in a normal way, without unnecessary delay, and even receive income to support her as a pensioner?

VLADIMIR PUTIN: It is pleasant that after such global questions we go right to very concrete ones. In addition, concerning the positive things our Government and the leadership of our country has done, I would like to also mention here that the number of our citizens living under the poverty line has significantly decreased, as has the level of unemployment.

And what you just said is linked to my two previous remarks because, of course, gardening constitutes a significant income for a large number of Russian citizens and after our previous meeting I formulated an order for the Government of the Russian Federation on this theme. The Government then prepared a draft bill on liberalizing purchasing real estate and land plots.

I hope that in the very near future, at the spring session, this law will be adopted [by the State Duma].

OKSANA BOIKO (TV channel Russia Today): Vladimir Vladimirovich, please tell us what has Russia's leadership chosen as its priority directions for the upcoming G8 summit? What are the topics? What answer would you give sceptics who say that Russia does not belong in the G8.

VLADIMIR PUTIN: We chose the topics based on the themes that are being put forward for discussion at the G8 summit this summer in St Petersburg. The problems and challenges that are literally facing humanity. This the first thing.

The second. When choosing certain themes, we deliberately tried to choose those in which Russia could actively and effectively take part in finding a solution to the problem.

For this reason it was natural to make our choice during consultations with our partners, and we regularly work with our partners from the G8, both during the Sherpa meetings and at the highest political level. I am very thankful to our partners for the help and support they gave us both before choosing the themes and during the preparation which is now underway. So for this reason it was natural for us. We first chose energy security in the world, second the fight against infectious diseases, and third problems concerning education. In addition, all of these themes are constantly being discussed in the G8 in one or another form, style or amount. We are suggesting them as core topics. All of our partners have agreed to this.

Regarding those adversaries you mentioned who say that Russia does not belong in the G8, I know that our country has such adversaries. They are stuck in the previous century, all these Sovietologists. Despite the fact that the Soviet Union has ceased to exist, they are still there because they do not have another occupation. What can we say to them? I know the mood of the G8 leaders. No one is against Russia being included and actively participating in this club because nobody wants the G8 to become a meeting between fat cats, especially since differences and inequalities in the world are increasing. The difference between the quality of life for the so-called golden billion and the poorest countries of the world is growing. On one hand, Russia acts as an excellent example of economic and financial growth. Let me remind you that we have a surplus budget and a trade surplus. The relationship between our external debt and GDP is 30 percent, in 2000 it was 80 percent, and today this is one of the best such indicators in the world. Everything bears witness to the fact that Russia is pursuing a correct measured economic policy. But at the same time, unfortunately, we cannot brag so long as our population is not rich. A great deal of our population is poor. This is our misfortune and our main task: diminishing the number of poor people in our country. And in this sense, as a country with a developing economy and lots of social sector issues we can understand - better than maybe any other in the G8 - the problems of developing countries. For this reason Russia's participation in the G8 is absolutely natural.

In addition, the G8 is a club which addresses global problems and, first and foremost, security problems. Can someone in this hall imagine resolving, shall we say, problems concerning global nuclear security without the participation of the largest nuclear power in the world, the Russian Federation? Of course not. So everyone who talks about this, whether Russia belongs there or not, can just talk. It is their job. The dog barks, the caravan rolls on.

OLGA SOLOMONOVA (Trud newspaper): I have a question concerning Russian-Ukrainian relations in the gas sector.

It seems that everything had been resolved at the beginning of this year, that you agreed on everything. You met personally with Yushchenko. Everything seemed normal.

Now, as is well-known, Ukraine is once again starting to take gas outright and Gazprom is constantly increasing deliveries to Europe.

What is your impression of this situation?

VLADIMIR PUTIN: First of all I consider very positive the fact that we were able to agree with Ukrainian leadership on a common approach towards supplying Ukraine with Russian energy. It is positive both for our bilateral relations and for the energy situation in Europe and in the world.

And I consider that Ukrainian leadership took a courageous and correct step when it accepted these agreements. These agreements were a compromise and each party is satisfied with them. Along with this, you are correct. We agreed on everything, signed everything regarding prices, fixing prices, the volumes of deliveries. And despite all of these agreements and without any conflicts, we were faced with the situation in which a large amount of Russian gas is being siphoned off from the pipelines through which it is exported to Europe. During a cold period in Ukraine this amounted to 34-35 million cubic metres of gas per day. Gazprom wanted to remake these losses for western European consumers and unilaterally increased daily deliveries by 35 million. What happened next? Our Ukrainian partners continued to take 35 million daily and in addition all the supplementary amount that Gazprom was delivering, that is 70 million cubic metres a day.

And now I would like to ask a question to those sceptics who didn't believe it was necessary to construct the Northern European Gas Pipeline under the Baltic Sea. Is this pipeline necessary to ensure a stable gas supply to western Europe or not? Whoever talks about this theme in the future must reflect on whose interests they have at heart, the interests of their own population or some other interests that are difficult even to justify.

We expect that we shall be able to find an equilibrium in our relations with our Ukrainian partners. I am happy about the fact that, in contrast to previous years, our Ukrainian partners said straight out that they were taking this gas, there was no tentative to cover up, nor to distort the fact. It is important to us that we are paid for this gas according to

the prices we agreed on. This can be done either at the end of February or in another way, because the quantity of gas delivered to Ukraine, the quantity of Russian gas, is limited to 17 billion cubic metres a year. This means that at one point the total volume will be taken up and then we must agree on the new volume. But it is important that this is not hidden but discussed openly. I hope that these discussions will lead to a positive result.

MANIUEKO MORENO (El Correo, Spain): Dear Mr President, please tell us more regarding the fact that Russia is going to join the World Trade Organization this year. But until now no agreement has been reached with either the USA or Columbia. Please tell us what are the prospects for resolving this problem, if you believe this is a problem at all, and whether or not Russia needs to accede to the WTO? Thank you very much.

VLADIMIR PUTIN: As a whole we intend to join the World Trade Organization. As I have already said, we are going to do this only under conditions that are favourable to us and based on agreements within the usual process by which countries accede to this international economic trade organization. If they are going to make additional claims in addition to those usually made to a country that is joining, then of course we shall object.

Today the main problem is resolving the issues with the United States. I think that if we agree with the USA then Columbia shall agree as well. In practice, all other countries and I would like to emphasize that all, all of our partners supported Russia's accession to the WTO. For now only the United States is preventing us from joining.

Today we are discussing the question of whether or not branches of commercial banks will be allowed to operate in Russia. We have already expressed ourselves on this topic. We consider that it is unacceptable for us because it would not allow us to control financial flows in the Russian Federation and, as a matter of fact, the financial community in the United States agrees with us. Everything is clear at the professional level, but at the political level some concrete steps are needed to meet each other half way. I hope that they will be undertaken. In any case, I know the mood of the President of the United States and he supports Russia's accession to the WTO.

QUESTION (city of Magadan): Dear Vladimir Vladimirovich!

At the end of November at a meeting in Magadan you expressed your position on the basic directions in which gold mining should develop in Russia. This improved the mood of all workers in the mining industry in the Far East and not only in the Far East. However, we now fear that the propositions that were made there will not be implemented, and first and foremost your orders to the Government. It is possible that more time is needed or that there are other reasons for the delay. My question is connected with this.

Vladimir Vladimirovich, has your position concerning the Far East, one of the country's strategic regions whose natural resources can enrich Russia, changed?

VLADIMIR PUTIN: Certainly, my position has not changed. Moreover, as you know, in practice we have two federal target programmes designed to develop territories. Two territories, that is the Far East and the Northern Caucasus, the south of Russia, have been chosen as two priority territories. For this reason significant financial resources have been allocated towards these goals and in 2006 the volume of these resources will significantly increase compared to what it was in 2005. First and foremost we are talking about developing infrastructure to create the necessary conditions for economic growth in these regions and creating additional jobs.

With respect to the gold mining sector I hope that all the orders made at the meeting in Magadan shall be implemented. As you remember, certain colleagues that work in this sector made proposals that I consider unacceptable, namely exporting gold ore for it to be processed abroad. If this were the case we would see neither the taxes nor the gold. Such things cannot be implemented. All the rest can and must be implemented according to the agreements and orders that were made at the meeting in Magadan.

STEVEN GUTTERMAN (correspondent for the Associated Press, USA): During your presidency you said that Russia is a European country that shares European culture and values. But sometimes Russia supports certain opinions or a certain regime in the former Soviet Union which obviously does not share these values. For example, events in Andizhan and Russian support for Uzbekistan's actions during these events. Do you not think that these approaches are incompatible?

Thank you.

VLADIMIR PUTIN: I do not think that these approaches are incompatible, especially since we know better than you do what happened in Andizhan. And we know who trained the people who ignited the situation in Uzbekistan and in that city in particular, where they were trained, and how many of them were trained. This does not exclude the fact that there are a great many problems in Uzbekistan, but it does exclude the fact that we take an approach in which we shake up, could allow ourselves to shake up the situation in that country.

You probably know what the Fergana valley is and you know how difficult the situation is there, the population's situation and their level of economic well-being. We do not need a second Afghanistan in Central Asian and we shall proceed very carefully. We do not need revolutions there, we need an evolution which will lead to establishing those values you spoke about, but that will not encourage explosions like the ones we faced in Andizhan.

MOHAMMED AMRO (Al-Jazeera): Mr President!

After Hamas' victory in the Middle East there have been certain statements from the west threatening to stop or diminish the help they give the Palestinian population.

Will your position on this issue change? And do you agree with the opinion that what is happening now in the Middle East is the failure of American diplomacy?

Thank you.

VLADIMIR PUTIN: It is a big setback, an important setback for American efforts in the Middle East. A very serious setback.

I think that if we want to resolve these difficult global problems than we must only do so together and not invite the participants in the process to pull the chestnuts out of the fire, but rather sit down together and to listen to each other right from the beginning and to take corresponding decisions.

Our position concerning Hamas differs from the American and western European positions. The foreign ministry of the Russian Federation never declared that Hamas is a terrorist organization. But this does not mean that we approve and support everything that Hamas does and all the declarations that they have made recently. We think that it is one thing when this political force was the opposition and trying to get into power and we know that throughout the whole world very often the opposition makes very radical statements. It is another thing when it receives the people's vote of confidence and must make sure that the people who believed in this movement feel the positive results of their authorities' work. And for this it is necessary to leave behind the extremist positions, to recognize Israel's right to exist and to have relations with the international community.

We call on Hamas to do these very things. In any case we would consider refusing to help the Palestinian people a mistake.

NADEZHDA SUDAKOVA (Nizhny Novgorod, Kremlin news agency): Vladimir Vladimirovich, in September 2004 you announced a new system for forming the executive authority. A lot has changed in this year and a half, including in the Nizhny Novgorod Region. One can now draw conclusions on this period and see the positive and negative aspects.

Please tell us if you are happy with how this system is now functioning and its results.

VLADIMIR PUTIN: I am happy with how this system is functioning. From the beginning I said that it is a far cry from naming the heads of the regions in Moscow. It is quite a difficult political process to determine authorities by having the federal level participate on behalf of the President of the Russian Federation and the deputies of legislative assemblies participate on behalf of citizens living in a given territory. And you know what, when resolving this issue we collided with just what we had fought for, as a popular saying goes, you want it - you get it. Namely the fact that in certain regions the candidates we proposed were obviously not welcome and that the federal level had to take into account the mood of the deputies in that region. And I am very happy that it happens exactly this way. It means that we are reaching a situation in which a governor who is named as a result of this process will be more sensitive to the region's problems

but will also be intricately linked with the whole nation's interests. And I hope that unlike the past, there shall be no governors that have three previous convictions among our deputies.

PAVEL TYCHINKIN (NTK, Krasnodarsky Region): Vladimir Vladimirovich please tell us what you think of the fact that Sochi, with its Krasnaia Poliana resort, wants to hold the Winter Olympics in 2014 and what do you think its chances are? And a follow-up question: how do you see the region's role in the present stage and, in your opinion, what has the region achieved? Thank you very much.

VLADIMIR PUTIN: The Krasnodarsky Region is developing very successfully and comes out favourably when compared with other Russian regions. This is because of the highly skilled employees, very good traditions in the region, a population that is very politically active, good infrastructure and a good climate. We must say straight out that the leadership is quite thorough, that the governor has implemented measured, careful and correct economic and social policies. As a whole this is quite good. I think that it possible to do even better but as a whole I am satisfied.

Regarding Sochi, we shall support the city's application to host the Winter Olympic Games. We shall do this independently of the result because the country needs modern developed infrastructure and a holiday place that is convenient for the citizens of our country. Sochi is an ideal place where the climate is gentle, the sea is nearby and in several places in the mountains there is snow all year round. I went skiing there two years ago, it is somewhat difficult for technical reasons-we had to land with a helicopter-but there is snow even in the summer. For this reason we shall develop Sochi in any case and allocating the financial means is, of course, more convenient if we have an important goal in front us such as hosting the Winter Olympic Games.

FEDOR BYSTROV (Volga Press): Vladimir Vladimirovich, in December of last year the Federal Agency for Industry prepared some proposals, somehow I would not like to put it as supporting the domestic automotive industry, but rather as reorganizing the industry. In particular, they are proposing to create a national automobile corporation by merging KAMAZ, AVTOVAZ and GAZ. What do you think of the prospects for such a merger and of the domestic automotive industry in general?

And I have a second question if you do not consider it out of place: would it be possible to take your private car for a test drive? I think that many Russians would be interested to know what is there under the hood of the President's car.

Well, using this opportunity, I would like to invite you to Togliatti.

VLADIMIR PUTIN: Thank you, thank you for the invitation.

Which car would you like to receive? (excitement in the hall)

FEDOR BYSTROV: A Volga.

VLADIMIR PUTIN: A Volga?

FEDOR BYSTROV: Yes, or at least to do an article about this car.

VLADIMIR PUTIN: Okay, fine, we agreed.

Concerning the proposal for the automotive industry, as you know, quite important decisions have been made, and these decisions have been criticized especially with respect to taxes, customs duties and the delivery of outdated equipment into the territory of the Russian Federation. This is a very sensitive topic.

Along with this I would like to draw your attention to the fact that the Government of the Russian Federation has determined its final conditions for automobile assembly in the territory of the Russian Federation and they are already receiving positive feedback.

We have already concluded agreements with the six largest international automotive companies to produce automobile technology on the territory of the Russian Federation. We are conducting negotiations with an additional 14 of the world's major automobile companies. I am convinced that we shall achieve positive results during the negotiation process. This is the first thing.

The second concerns the merger between KAMAZ, AVTOVAZ and GAZ. Of course this is possible. But the owners of these companies must decide this themselves together with the state. If all participants of this process agree that such an association could help the development of the Russian automotive industry then, of course, we shall support such a decision. But we shall not impose any decisions.

SVETLANA TSYGANOVA (Impulse newspaper, city of Zelenogorsk, Karsnoyarsky Region): In the enterprises and cities associated with the Federal Atomic Energy Agency, and I represent one of these cities, there is a great deal of interest in the global initiative that you talked about last week. You said that during the G8 summit of the Russian presidency you shall propose creating international centres that perform certain functions in the nuclear fuel cycle, in particular, enriching uranium for the countries who are not members of the nuclear club.

Please tell us why Russia needs this? What does it mean in practice? And what tasks for the Federal Atomic Energy Agency does this imply?

VLADIMIR PUTIN: We all know perfectly well how tense the world energy situation is becoming. Many countries of the world including the Russian Federation, the United States, and Europe are actively studying the possibility of alternative sources of energy: hydrogen, thermal energy, wind energy, biological resources and so on. Now people are saying that it is possible to use certain materials from the moon. Right under our feet we have opportunities in nuclear energy that are not being taken advantage of. And of course many members of the international community are interested in developing nuclear

energy for peaceful means. Along with this many issues and problems linked with the proliferation of nuclear weapons arise during the implementation of these plans. Because there are a minimum of two problems which cause concern: they are enriching uranium and working with radioactive fuel. Because both can be used to create fuel for nuclear weapons and nuclear weapons themselves. How can we find a solution which will allow us to support those who wish to develop their nuclear energy and at the same time ensure global nuclear security? One of these propositions was made in St Petersburg during the meeting of the Eurasian Economic Community. We suggest creating a network of centres that deal with that part of the nuclear fuel cycle concerning enriching uranium. These centres would be equally accessible to all those who want to participate in developing atomic energy together, there would be no discrimination. This also includes our Iranian partners. You know that the Russian Federation already made this proposal to Iran quite a long time ago. At a meeting in St Petersburg my colleagues, the heads of Uzbekistan and Kazakhstan, did not rule out participating in this project.

In this way it could be designed from a long-term perspective with the participation of countries that have important reserves of raw uranium. But there need not only be one such centre. The Russian Federation is a natural partner for resolving such tasks, because of the highly developed level of nuclear power industry in the country, the presence of a scientific school, experts, human resources, and the development of nuclear energy infrastructure. Such centres could be created in other states of the nuclear club and, I repeat, along with ensuring the provision of non-discriminatory access to all those who want to use them.

As to the Russian Federation, I draw your attention to the fact that approximately 16 to 17 percent of the energy we generate is derived from nuclear power. In some countries, including the European Union, in France for example, nuclear energy accounts for almost 80 percent. If in 20 or 30 years we attain 25 percent then this is already quite good. Nuclear energy for peaceful means is now concentrated in the European part of Russia, in the Urals, and we have many northern territories which need additional energy resources. Of course, we must do this in conformity with modern security requirements. There are the so-called fast reactors which in practice are very safe. I have already spoken about this more than once and experts know what to do in this sector. We very much expect effective cooperation from the part of the nuclear club and all those who want to take part in this joint effort.

ANTON VERNITSKII (Channel One): Vladimir Vladimirovich, a question about the priority national projects. What are all the regions saying now that the new year has begun and how much movement has there been in these directions? And a follow-up question: how can you be confident that the enormous amount of financial resources allocated for these projects will not be wasted?

VLADIMIR PUTIN: Obviously I must begin with the last question. Of course, the danger that financial resources can be used ineffectively or simply stolen exists everywhere. I expect that the system we created in order to implement these projects shall work, and that it will not only be effective but organized in an absolutely transparent way

and that no criminal activity will be uncovered here. I am counting here on the Government who, as you all know, is taking care of most aspects of the practical implementation of these national projects. I am counting on the public. I think that it would be good for the Public Council and the deputies on location where these projects shall be implemented to take everything regarding the movement of financial resources and the implementation of these projects under their daily control.

A national project is not a panacea for resolving all the problems that face the country, of course not. But it is simply a signal, an impulse in a given direction that we expect shall help develop the priority economic and social spheres-health care, education, housing, agriculture. As you can see, it concerns the so-called real sector of the economy and the spheres of culture and education. But spheres such as education and health services are very closely linked to the development of the economy because without the so-called human factor, without investing in the person, we shall not resolve any task that stands before us.

I am not going to talk about all this now, as we have already done so many times, but the first information, the initial information on how projects are proceeding in the regions is generally positive. In February we shall start making payments to the lowest echelons of health care. I know of a criticism along these lines: 'and what about other medical workers that cannot be considered part of primary care?' I repeat that the Government has decided to do this as a first step, because the situation is especially critical in these lower echelons. Some 50 percent are not fully staffed.

Certainly some obstacles and problems are possible but the signal has been given both in the regions and to the Government which absolutely needs, and I want to emphasize this, must absolutely resolve these and other similar issues and increase the well-being of other medical workers and teachers.

We have already started paying school teachers for acting as form masters. In February the staff and workers in primary care must receive money. We have already planned in which regions we shall create high-tech medical centres to better care for the population. We have a huge country and it is too much to always travel to Moscow, St Petersburg and Nizhny Novgorod for medical services.

Within these projects necessary measures are being taken to develop agriculture. Of course the programme 'Housing for 2010' and the programme for accessible housing that are taking place within the framework of the national projects are closely linked. We know and understand this. One shall not interfere with the other but rather add something else that will help solve all the problems in the spheres I mentioned.

RICHARD DENTON (question in English, translated from not the beginning):

What do you personally believe that you have been able to obtain as a result of five years work? Are you personally satisfied with the results or would you like to have achieved more?

VLADIMIR PUTIN: No one can ever be content with the results he has achieved if he is in right mind and senses. One always wants more. At the same time I am quite satisfied with what we have done. I remember the end of 1999 and the condition that the state and the economic and social spheres were in. There is a big difference, and this is a positive difference.

We have strengthened the Federation, we have brought the Chechen Republic back within Russia's constitutional sphere and done this through legal means, first and foremost democratic means-by voting for the constitution, voting for the President and, of course, voting for parliament. We have taken serious steps towards strengthening the economy. In practice we have already paid off all external debts. We are ready to further pay off the Russian state's debts in advanced payments. We have significantly-by several millions-lowered the number of our citizens living below the poverty line and we have significantly lowered the level of unemployment. We have seen an amazing increase in our gold and currency reserves. We were able to have a measured economic policy at the time of the oil revenues inflow into the country, and accumulate part of these revenues in the Stabilization Fund. We have significantly increased the population's real incomes, and that is the most important thing.

Of course, a great many problems remain. And I also hope that in the future we shall work in the same way so as to resolve them effectively. But, of course, we must work to attain this. And I do not think that anyone of us is surprised at the intense work schedule for the President, the Government and the whole Russian leadership.

OLEG RAKITOV (Radio Russia, Ivanovo): Vladimir Vladimirovich may I ask you the following question: last year some governors were replaced and you were responsible for this-you nominate these candidates and put the candidatures before the Legislative Assembly. I would like to know which principles and criteria you use when choosing the future governors. Thank you.

VLADIMIR PUTIN: When answering one of the previous questions I already said that we do not, that I do not, nominate the governor, rather I propose a person to the Legislative Assembly and in practice the Legislative Assembly actually appoints the person that the President has suggested to the region.

Moreover, we have passed a law whereby the party that won the regional elections already has the right to propose a candidate.

First and foremost the criteria are personal and practical, and the most important thing is that the person is able to resolve the problems facing the head of the Russian region. It is experience, it is moral integrity, skill and, most importantly, the practical results of a person's previous activities.

IGOR KOZHEVIN: (Russia TV channel, programme Vesti): Vladimir Vladimirovich last week there was a public discussion in the Government about the VAT and reducing it

from 18 percent to 13, 15, or 16 percent. Different points of view were expressed. Today has any consolidated decision been taken on this issue and what is your point of view?

VLADIMIR PUTIN: This is a really topical question, one that is much debated. I do not think that we have already taken the final decision on this question. When answering your question I would like to start with the most important thing, and ask you to pay attention to it. Taxes will decrease. The whole tax burden on the Russian economy today constitutes around 36,8 percent of GDP. If we subtract the revenues from the budget that come from the high oil prices and other energy resources, than this tax burden will be significantly reduced though it will remain quite large for a developing economy such as Russia's.

Other countries in a similar situation have a smaller tax burden. It is true that when starting to implement social projects they need to increase taxes. But we must reduce them. The question is how to do so, which taxes to reduce and at what rates?

Any economic decision has certain consequences. If a given tax is sharply reduced than we both understand that the monetary mass in the economy increases. One of today's main tasks is struggling with inflation and reducing it so that it is less than 10 percent. We must understand what will happen to the monetary mass if a certain tax, including VAT, decreases to a certain level. The question is whether our economy is capable of using this monetary mass, that is will this money stay in the pockets of businessmen or be reinserted into the economy? It is the question of whether the economy is ready to accept this money or will it be sent offshore, taken away, and then there shall be no real positive consequence for the economy and we shall simply face additional problems of sterilization. We must weigh all of this and make a sensible coordinated decision regarding reducing the tax burden.

STEVEN ROSENBERG (BBC, Great Britain): Mr President, I would like to ask a question in English if possible. About a week ago some British diplomats were accused of spying in Moscow. Has the decision to expel the four diplomats been taken? And what will be the effects of this espionage scandal in Moscow? Will the control over non-governmental organizations be tightened?

VLADIMIR PUTIN: Concerning non-governmental organizations, I formulated my attitude towards the scandal you mentioned while in St Petersburg. Non-governmental organizations are a necessary part of society because they control the activity of the state and the agencies of power. They are an important part of the social organism. And the Russian government shall support these non-governmental organizations. We want them to be financed in a transparent way, we want these organizations to be independent, and not to be controlled by some puppet master from abroad because such incidents like the one we just saw only compromise the activities of non-governmental organizations. But we cannot fail to address such incidents because non-governmental organizations cannot be used as a foreign policy instruments by one state on the territory of another.

As for the espionage scandals we regret that, having attained the level of interstate relations we now have, we see our British partners involved in such practices. We start from the idea that appropriate decisions shall be taken at the political level and that the problem we faced shall not reduce our cooperation with Great Britain. I am confident that we shall discuss this in private meetings with the Prime Minister. In any case the character and quality of our relations is so strong and well-grounded that the incident cannot undermine our cooperation with Great Britain.

I have already talked about the decision to expel the diplomats. Let them just stay here, in the residence. It is pleasant for us that these people are now under our control. But how will their colleagues react? I imagine you know that in the residences and among the diplomatic representatives of any country there are a number of clean diplomats and representatives from the special services. This is not everything that we have found out. Let them sit here.

TAMARA GOTSIRIDZE (Kavkasiia, Georgian TV channel): Vladimir Vladimirovich the new year started with a new low point in our relations. This is linked with the energy or gas wars, if I can call them by that name. And our relations already depend a little bit on the weather. In your opinion, how is the situation developing? And the question I have been asking for a number of years: when will there be a thaw in our relations?

Thank you.

VLADIMIR PUTIN: It seems to me that this is not linked to the weather but rather to the ability of certain Georgian politicians to correctly evaluate the situation concerning mutual relations with Russia.

There was an unfortunate incident, and yes, deliveries were suspended. Our experts worked around the clock in the mountains in minus 30 degree weather to restore Georgia's power supply.

What have we heard and seen from the Georgian leadership? Some were simply spitting at us. And the citizens of Georgia must understand that such policies vis-a-vis Russia will not improve the situation of the ordinary Georgian. The responsibility for this lies with the Georgian authorities.

As for our intentions, we consider the Georgian people one of the very closest peoples to the Russian people, both with respect to history and culture. You know how many Georgians lived and live in Russia and what an enormous contribution the many citizens of the Russian Federation and the former Soviet Union have made towards developing and strengthening Russia. We very highly value this and never forget about it. We hope that it constitutes a good bridge for strengthening friendly relations in almost all directions. We are ready for this.

VLADIMIR KONDRATEV (NTV): Vladimir Vladimirovich you have already spoke about the new law that will allow the parties who win regional elections to make

recommendations concerning the executive head of the region. I would like to know whether the law will be accepted at the federal level and will the party that has the most seats in the Duma also be able to propose candidates for the leader of the Government? In connection with this: will you not tell us the name of your possible successor? Perhaps you could say if you have already made your choice and decided who can be the successor? Thank you.

VLADIMIR PUTIN: You know that when I talked to Chechen friends during the preliminary discussions concerning possible candidates for the President of Chechnya, I asked them: what do you think, who could be the President of the Chechen Republic? And the answer they gave was: stop any person in the street and ask them the same question and the answer will almost always be the same-myself.

We have a great many people in Russia, a great many, who could head the country. Only the voters, the Russian people, the citizens of the Russian Federation can give the final answer to this question.

A party government? The lessons of history tell us that everything is possible but I am against introducing such a measure into Russian politics today. I am deeply convinced that in the former Soviet Union where the economy is developing, the state is being strengthened, the principles of federalism are finally taking root that we need a firm presidential authority.

We both know what happened in a developed stable democracy like that of the Federal Republic of Germany. It is a good example, you are a Germanist. Just recently it was possible to see a small new political party, the New Left, appear on the political horizon in Germany. The result of the elections was that, in practice, the country was in a political deadlock. If there had been no political culture, no good will on the part of the former German Chancellor Mr Schroeder, no skillfull steps taken by the present Chancellor Madam Merkel, then they would not have been able to come to an agreement and no one knows how the situation would have developed in Germany, how it would have affected the economic and social spheres and the well-being of German citizens. What does this say about us, countries of the former Soviet Union, that have not yet generated steady national parties? In these conditions who could talk about a party Government? It would be irresponsible.

And everything is possible in the future but, in my opinion, this should be a something that future generations decide.

ZELIMKHAN IAKHIKHANOV (Youth Change newspaper, Chechen Republic): Vladimir Vladimirovich please tell us if today we can talk about the end of the counterterrorist operation in the Chechen Republic? And if not when, in your opinion, will it come to an end? Thank you.

VLADIMIR PUTIN: I think that it is possible to talk about the end of the counterterrorist operation since Chechnya's law enforcement agencies will, in practice, take upon themselves the basic responsibility for law enforcement in the Republic.

All bodies of state power have been created in the Chechen Republic; I have already spoken about this and you are well aware of it. This means that the law enforcement agencies can and will get stronger—the office of the public prosecutor, courts, lawyers, notaries and, of course, the Interior Ministry of the Chechen Republic. In the aggregate, I hope, I am confident, that all of this together will result in further stabilization.

Today there are other regions in the northern Caucasus where the situation is even more worrying than it is in Chechnya. I must say that the law enforcement agencies in the Chechen Republic are supervising the situation more and more rigidly and are taking more responsibility upon themselves. More than anything, fortunately or unfortunately, they often work more effectively than the federal forces do and have a responsible approach towards resolving problems.

We understand, and I would like to draw this to your attention and that of your colleagues, that within the bodies of the Chechen Interior Ministry there are a great many people who just recently were using weapons to fight against the federal forces. It is a complex and painful process both for the Federation as a whole and for the Chechen Republic. But I think that, despite negative moments that occur in this process, it is overall a positive one. If people consciously understand that they can defend the interests of their people only together with Russia, and do this honestly, openly, risking everything in this process, including their own life, then this deserves only support and respect. And we shall provide this.

I repeat that the law enforcement system in Chechnya knows the local customs and conditions, and can therefore react to what happens in a more sensitive way, and often prove more effective than federal forces. This represents a positive moment and I think that if things proceed further along these lines than we are right to speak of ending antiterrorist operations in the Chechen Republic.

There is one thing that I would like to talk about separately.

Attracting people from different political backgrounds into Chechnya's law enforcement system is a positive thing. But we must take into account the fact that for more than ten years nobody has worked on developing these law enforcement agencies. There must be a legal culture, respect for laws and, more importantly, the desire to observe the laws among the employees who now work in the law enforcement agencies. We need to do serious work to improve the professional skills of those people who are now coming to work in the law enforcement agencies. We are all going to work on this together.

GEORGII GULIA (Interfax): Vladimir Vladimirovich I would like to return to economic issues and to probably the most important sector, Russia's oil and gas sector. What are its prospects for development and along which lines shall it develop? Towards

deprivatization, nationalization and strengthening the monopolies that already exist or towards expanding the private sector in this branch as well? Thank you.

VLADIMIR PUTIN: I draw your attention to the fact that major multinational companies dominate the world energy market. If you look at any of them, any major American company, any European one, then these are large, powerful and, as a rule, multinational companies. We must develop in this same way. In some countries, not only in the OPEC countries, but in European countries such as Norway, the oil and gas sector is practically a complete state monopoly. Statoil and the second largest company are also state companies. We are not going to do things that way. Yes, today Gazprom is a state-controlled company but we talked about this and made announcements to this effect several years ago, saying that the state will once again control Gazprom, Russia's major energy company. We did this and did it openly but we also liberalized Gazprom's market shares and now investors have the possibility to enter the market as shareholders. In addition to this, we chose a strategic partner. You know how many German companies are present here-10 percent. In essence, this is an international company. Rosneft is going to develop along these same lines. As you know, Rosneft's experts are now getting ready to issue shares on one of the world's stock exchanges. In other words, it shall also be an international company.

We have about ten quite large private oil companies such as LUKOIL, TNK BP, Surgutneftegaz and others-there are a great deal of them. Nobody is going to nationalize them, nobody is going to interfere with their activities. They are going to develop according to market conditions like private companies. I think that such a balance is better for the Russian economy today, and this includes active participation from our foreign partners and shareholders. Shall we look at TNK BP which, as you know, is 50 percent a Russian company and 50 percent owned by British Petroleum. I regularly meet with shareholders. Our British colleagues have told me that they are happy with working in the Russian market.

In my opinion, already one third of BP's total extraction takes place in Russian territory. One third or rather one quarter, I would not want to exaggerate. More precisely, one quarter. This is a huge volume. And the positive side to this is that BP's reserves in Russia are growing. And the Russian government goes on allowing this company to control significant energy resources. And this is also a contribution towards stabilizing the international economy and international energy situation.

We shall continue further along this path.

VERA KHARLAMOVA (Star of the Pacific, Khabarovsk): Will the events in Cheliabinsk affect the speed at which Russia changes to a contract army? And won't it result in a situation where mothers will not allow their sons to join the army? How will this problem be solved?

VLADIMIR PUTIN: The awful incident that happened in Cheliabinsk is being looked at by the management of the Ministry of Defence and the Russian Government. Of course what happened is not just regrettable, it is simply awful.

You know, I would like to draw attention to the fact that the Russian army is a part of our society. And all of us-and I do not want to put the responsibility on anyone but I just want us to look at things as they are-we are all, including the media, responsible for our society's situation.

This also concerns educational work. This also concerns showing violence on our television screens. This concerns a great deal. Of course it concerns our state policies. This concerns supervising how orders in the Armed Forces are executed and this concerns training in the Armed Forces. The Ministry of Defence has prepared a proposal that will significantly improve how this work is done and will present it to me in the near future. This proposal includes the possibility of creating a military police. I think that today this is required. We need to toughen the control over the legality of the actions of the Armed Forces.

Regarding changing the system of conscription, this is connected with financing. By the end of 2007 we must change to another system whereby a significant portion of the Armed Forces-almost all land forces, airborne troops, the marines--will be composed of soldiers on contract. And from the beginning of 2008 active service in army for conscripts will be reduced to one year.

NATALIA GORBUNOVA (RIA Novosti): Recently there have been increases in the number of ethnic hate crimes committed in Russia but nobody is bold enough to say that there are neofascists in Russia. Most often these crimes are referred to as hooliganism and so on. Why?

VLADIMIR PUTIN: This is wrong. If there are displays of neonazism in Russia than the law enforcement agencies, the prosecutor's office, other investigatory bodies and the courts should qualify them as what they are and give verdicts that correspond with the deed. We have a fairly developed legal system and the Criminal Code calls for punishments that fit the crimes. And I think or rather I don't think but am sure that law enforcement bodies, courts and prosecutors should, of course, react to this first of all. They must react to such infringements of the law adequately and according to the law. Only then shall we be able to struggle with this virus most effectively. I agree with you.

DAN VAN (Sinkhua agency, People's Republic of China): Vladimir Vladimirovich, they are expecting you in China in March and could you tell us your ideas about the forthcoming visit? What do you expect from this visit? This is my first question.

The second is: The year of Russia in China will officially begin and, in turn, the year of China in Russia shall take place the following year. In your opinion how can these two events strengthen relations between the two countries? Thank you.

VLADIMIR PUTIN: First of all I would like to say that Russian-Chinese cooperation is a very important factor for strengthening stability in the world, strategic stability, and we value this very much. We see that our Chinese partners and friends want to operate in the same way. For our part we intend to further develop the strategic partnership between the People's Republic of China based on the documents we signed in previous years, documents such as the Agreement on Friendship and Cooperation and on the strategic partnership. Based on these documents we were able to resolve a very difficult question in our relations. The Soviet Union and Russia negotiated the state border with the People's Republic of China for 40 years! I must say that in the history of Russian-Chinese relations the border issue was never resolved. We accomplished this very important task and took steps in order to meet each other half way. We have found acceptable solutions for both parties. Three years ago we set ourselves the goal of increasing our trade to 20 billion dollars. I want to tell you that last year -although we had wanted to do this over five years and this was two, two and a half years ago-in 2005 we already had 29 billion dollars of trade with the People's Republic of China. We already have a new goal: attaining 60 billion dollars of trade between our countries by 2010. This is perfectly realistic. I am convinced that if we have the same attitude towards our cooperation in the future, then we shall achieve this goal.

What can we expect this from the visit to the People's Republic of China in spring of this year? We are going to open the year of the Russian Federation in the People's Republic of China. I very much expect that this will take place at the very highest level and I am convinced that the events, these large scale events, will help our countries and peoples to draw closer to one another in the future.

VERONIKA ROMANENKOVA (ITAR TASS): Two months have gone by since the last changes in the Government and the Presidential Executive Office. How would you evaluate the work done by the people you appointed and Mikhail Fradkov's cabinet as a whole? Can you call this the beginning of preparation for elections in 2008? And do you have offers regarding future places to work? Perhaps you will move to St Petersburg where the Constitutional Court will also be going?

VLADIMIR PUTIN: Are you already banishing me?

VERONIKA ROMANENKOVA: No.

VLADIMIR PUTIN: I have already spoken about the results of work in 2005. There are problems that we have not resolved. We planned to keep inflation at 8,5 percent and we did not plan for the normal and real exchange rates of the rouble to increase so much. There are other issues that we could not resolve, that both the Government and the Central Bank could not resolve. However, in general the results of the Government's work are quite satisfactory.

Regarding changes in the Government of the Russian Federation, they are designed to further improve the quality of the Government's work, especially when this is connected to implementing large-scale plans linked to priority national projects and paying more

attention to the developing sectors of our economy, the high-tech field and the defence sector. The same goes for naming Dmitrii Medvedev First Vice Premier and promoting Sergei Borisovich Ivanov to Vice Premier so that, as one of the heads of Government, he can supervise all branches and fields of activity designed to increase our defence capabilities. Looking at the work done in January of this year shows that the decisions made were the right ones.

Regarding elections, I don't think it is necessary to talk often about this. Of course one must always think about this within any democratic country but the Government of the Russian Federation must think about the results of its undertakings, undertakings that are reflected in the quality of life of Russian citizens, and this issue should be depoliticized. We must work as needed and not think about the elections and who will occupy which position or so on.

As to myself, as you know, before becoming President of the Russian Federation I worked and lived in Moscow and considered and still consider myself a Muscovite. I have already worked in the Security Council, as head of the Russian Government, I was Prime Minister. So I did not come from St Petersburg when I became President of Russia but had already worked in Moscow.

As for St Petersburg, the city where I was born, I miss it and enjoy the time I spend there. I hope that in the future I shall always have the opportunity to visit St Petersburg.

Moving the Constitutional Court was very well-founded, since the federal organs of power are centralized in Moscow to an astounding degree. You know, in many countries this is not the case. In the Federal Republic of Germany the Constitutional Court is not in Berlin, but in Karlsruhe. And in Switzerland the Supreme Court is not in Bern, it is in another city. This does not undermine, it does not undermine in any way Moscow's status as a capital. Moscow was, is and shall be the capital of the Russian Federation. A small decentralization of power can only be a good thing.

MIKHAIL MIKHAILOV (St Petersburg Channel 5): Vladimir Vladimirovich, if you will allow us to be distracted from politics and economics for one minute.

It is obvious that the President's schedule is more than busy, it is extremely busy. Nevertheless, do you still find time to simply read a favourite book, watch television or a movie?

And if so which literature, films or television shows have you watched recently? Perhaps the Master and Margarita or Dnevnoi dozor [Day Watch-a film]?

Thank you.

VLADIMIR PUTIN: I would not like to do any advertising right now.

Of course I manage to watch a film or to read a book from time to time. Audio books are a very good thing. One can also listen to an audio book while in a car while driving to work and back or in other places linked to one's professional activities. These days I am listening to Kliuchevskii's lectures on Russian history. And yes, I sometimes watch films as well.

As you know, it was widely publicized, I watched the film the Ninth Company but I watch other films as well. I try to follow what is happening. I am very happy about the fact that Russian cinema is reviving. I am very pleased. And I would like to congratulate our cinematographers who, while working in difficult financial and economic conditions, achieve dazzling successes due both to their talent, which is the most important thing, and to the high level of Russian cinema and theatre schools. I congratulate them.

ALEKSANDR KOLESNICHENKO (Argumenty i Fakty): If you are not against it, I should like to ask a question about society's well-being. If I am not mistaken then alcohol consumption has diminished in Russia. If this is so, then that is excellent. However, I know people who have stopped drinking for only one reason: they now spend all their money on slot machines. These machines are now on every corner and not only in big cities. What can we say about this? It is both funny and a sin when pensioners put their last few cents into these machines. I understand that prohibiting them is unrealistic, even if the players themselves demand it at the moments of revelation. But there is other countries' experience and some decision for Russia has come to a head. What do you think about this topic and what possibilities exist?

VLADIMIR PUTIN: First of all, I agree with you that it is a problem. Dependence on gambling can be the same as dependence on alcohol or drugs. And in the world there are many cases, tragic cases, connected with this kind of dependence. Of course we must think about protecting our citizens from what is now happening in the gambling business. Now the Government of the Russian Federation is preparing a corresponding proposal at the legislative level. This work is proceeding together with the deputies from the State Duma.

Of course we must analyse and understand the experience of other countries where this business developed a long time ago, but we must make decisions that correspond to our reality. I shall not anticipate these decisions now because everything is still under discussion.

Moreover I must say that this is a sensitive issue and of course I will formulate my own position and approach but, as a whole, I shall agree with the basic principles that the deputies of the State Duma and the Government will propose.

DELPHINE THOUVENOT (Agence France Presse): Vladimir Vladimirovich, you often meet with President Lukashenko and openly support his regime while, at the same time, the west talks about a dictatorship. How do you explain your support for Aleksandr Lukashenko and, in your opinion, is it possible that free elections take place in Belarus in March? Thank you.

VLADIMIR PUTIN: Free elections are always possible.

My meetings with the President of Belarus are not support for the regime, as you put it, but support for our fraternal Belorussian people.

I wish to draw your attention to the fact that we are slowly undergoing the difficult, complex processes linked to integration with Belarus. They often result in very sharp exchanges of views, for example two years ago when we separated the prices for energy in Belarus from internal Russian prices. You should remember all this. For that reason saying that we support this or that politician at any cost is absolutely wrong. We have a measured policy for developing relations with a given state, and in this case with Belarus. Russia and Belarus have developed special relations over the years. They are not comparable to Belarus' relations with France or any another western European country, and could you please not forget that. We remember this and shall remember it in the future.

AISEL GEREIKHANOVA (Tver Life newspaper): Vladimir Vladimirovich you know that last year a sensational movement NASHI [OURS] appeared. These young men call today's political elite the generation of defeatists. In your opinion, how reasonable is this opinion?

VLADIMIR PUTIN: Defeatists? Please say that once again. Who are they calling the generation of defeatists?

AISEL GEREIKHANOVA (Tver Life newspaper): They call today's political elite the generation of defeatists.

VLADIMIR PUTIN: Young people are always inclined to make extreme statements so I do not see anything unusual here. And of course young people have a radical opinion on practically any issue and want the most both for themselves and for their country. I think that this is a positive thing. One must always strive to attain big victories. Then we might even achieve satisfactory results.

As to defeatism, I think that during a certain period of our recent history such a feeling began to circulate among Russian society. This was a very dangerous tendency. I think that it has been overcome both because the Russian state has been strengthened and the Russian economy has developed.

NATALIA GALIVMOVA (Moskovskii Komsomolets): Vladimir Vladimirovich today you already expressed your opinion on the expediency of transferring the Constitutional Court to St Petersburg. In your opinion, is it necessary to transfer any other federal agencies to the northern capital or to other major Russian cities? If so, then which ones?

VLADIMIR PUTIN: This was more or less natural for the Constitutional Court and for St Petersburg because a major building in the centre of St Petersburg has become liberated-

the building of the Senate and the Synod. This is the result of moving the State Archive to a new building that has been specially designed for this purpose.

The Constitutional Court of the Russian Federation is not in the best condition today in Moscow. For this reason moving the Constitutional Court will not be linked with any huge unreasonable expenses seeing that the building of the Senate and the Synod needs to be restored and renovated in any case. This building would need money for it to be restored if we were to move the Constitutional Court there or not. For this reason solving the problem of restoration and supporting the Constitutional Court's normal activities is like killing two birds with one stone. And as a whole this is a successful decision. There is a bonus for St Petersburg in this and of course it is a formal and legal bonus but shall nevertheless it shall increase the status of the city. We can really talk about it having one of the functions of a capital city. The Constitutional Court is one of the very highest branches of authority, of judicial authority. Geographically it shall be a little bit removed from the political centre where decisions are made though this, certainly, is not a panacea for corruption or misusing the Constitutional Court and its power to resolve political issues but all the same it shall be a bit removed. It will not hurt to do it.

Regarding the possibility of moving other federal bodies then this could happen in some cases and from the point of view of decentralizing power then this would not be a bad thing. But for now this pleasure is too expensive. This demands important expenditures. I do not think that this is expedient. We have many other issues that we could spend money on, money that would be devoted towards organizational issues, without moving some central authorities from Moscow to the other regions of the country.

ALEKSANDR LATYSHEV (Republic of Tatarstan): Dear Vladimir Vladimirovich!

At the end of last year one of the well-known Russian newspapers suddenly and unexpectedly found wahhabism in a large village-10 thousand inhabitants-in Tatarstan. The Sredniaia Iuriuzan village in the Penza Region. Other journalists later revealed that actually there was no wahhabism there. But a word is not a sparrow. And therefore, intentionally or unintentionally, the population of a strong prosperous village was classified as extremist in one fell swoop and a shadow has been cast on all Tatars and all Russian Muslims. This is one example.

In my opinion recent cases of xenophobia and discord between nationalities, between religions in Russia are increasing. And if they are not not evaluated as what they are, and evaluated stringently, one gets the impression that Russian authorities are simply afraid of a concept such as ethnic policy.

How would you evaluate the situation in this sphere?

Thank you.

VLADIMIR PUTIN: It is difficult for me to agree with you that the incident you just mentioned has cast a shadow on Russian Muslims or Russian Tatars because I am hearing

about this for the first time. If you had not said so among such a wide audience and on live television I believe that millions of Russian citizens would not have heard about it. For this reason, saying that a newspaper wrote something and that a shadow has been cast is absolutely unreasonable. I do not agree with you on that point.

Of course people have had particular problems with wahhabism-with the worst variants of wahhabism because by itself wahhabism does not constitute any threat. In that case, the distortions of Islam's norms, the distortion of wahhabism cannot be treated any differently than an incentive to terrorism.

As to the saying a word is not a sparrow, Zoshchenko said that a word is not a sparrow-once it flies out you cannot catch it. But in Russia we chase them, catch them and put them in prison. In any case something similar happened in the publications you mentioned regarding negative consequences and rash statements by the media. But a colleague has already asked about this. I think that it is true the governmental and law enforcement agencies should react more strongly and should apply the corresponding law in the Criminal Code, the norms in the Criminal Code of the Russian Federation, that fit cases of xenophobia and other crimes connected with xenophobia, with intolerance directed at certain ethnic groups. I shall call for this and I shall talk about this with the representatives of the law enforcement system both during the next meeting with the prosecutor's office on the results of 2005 and with other law enforcement bodies.

ALEKSANDR GAMOV (Komsomolskaia Pravda): I wanted to ask a question about Andrei Sychev but you already talked about this yesterday during the meeting at the Kremlin. And today you gave some more details on this. So I will ask a question concerning our history: tomorrow will be the 75 th anniversary of the first President of Russia. What do you think, Vladimir Vladimirovich, has the time come to appraise Yeltsin's era and Yeltsin himself? And if that is the case, what is your appraisal? If possible, please state the positive and negative aspects. Thank you.

VLADIMIR PUTIN: Perhaps you recall the wonderful little story that happened when Deng Xiaoping, I think it was, when he was in France and was asked how he viewed the achievements of the French Revolution. This was some time in the 1970s, I think, and he said that too little time had passed to be able to make any evaluation of this kind.

All the more so then, how can we evaluate today the actions and decisions of Russia's first President? Russia went through dramatic years in its development during his presidency. It was, and still is at a turning point in its history and this was a time of fundamental political, state and social change. Unfortunately, these years are also linked to great losses for many of our citizens, for our country's population, for our people. These are problems we are all well aware of.

Each of us, myself included, can only guess at how we would have acted in these conditions. You can characterise this period in our history any way you please, and can assess the legacy of Russia's first President as you please, but one thing remains beyond all doubt, and that is that it was precisely during these years when Boris Yeltsin was at

the head of Russia, that our people, the citizens of Russia, obtained what was most important, what all these changes were about - freedom. This is Boris Yeltsin's great historical achievement.

IRINA SHABALINA (Sakha (Yakutia): Mr President, during your recent visit to Yakutia you no doubt had the chance to see with your own eyes just what a harsh climate we live in. The meeting that you held in Yakutsk dealt with the main economic problems that we hope will be resolved and we think that their resolution will have a great impact on our republic's social and economic development.

But I wanted to raise another question, namely what is going to happen with pensions for people working in the Far North? How will the local-conditions factor be applied with regard to people who worked in the far northern regions? This issue concerns not just Yakutia but all of Russia's northern regions.

Thank you.

VLADIMIR PUTIN: Are you referring to this in regard to the national projects?

IRINA SHABALINA: Well, yes.

VLADIMIR PUTIN: I see. This question is currently under discussion in the Duma. The relevant decision has already been taken and discussions are going on between the State Duma and the government. Let's wait and see first what decisions the government and the Duma deputies reach through their discussions. I very much hope that the resulting laws and legislative acts will be adopted cleanly and smoothly without any legal errors and confusion, and that all the decisions taken will be responsible and carefully weighed up in terms of both economic considerations and the need to resolve social problems, including in the northern regions.

One of the biggest problems as I see it is pensioners' place of residence after their retirement. It is my view that pensioners should receive the additional money their work entitled them to no matter what their place of residence after their retirement. This is the main point. If we don't follow this principle we will just be encouraging pensioners to return to the places [the far northern regions] where they earned these additional entitlements, and yet the government is doing all it can to settle these regions with young, working-age people, and so we would have a clear contradiction between the aims and means the government is using to achieve its objectives.

ONO MASAMI (Asahi, Japan): Mr President, I have two questions.

Last November you visited Japan. What expectations do you have for the development of relations with Japan now, at the beginning of this year?

And second, when you met with Japanese judo artist Yamasita at the end of last year, you said that judo "means everything to you". Could you please be a little more specific and

say what exactly judo means for you? I know that a sports event, the President's Cup in Judo, is going to take place in St Petersburg, your native city. Thank you.

VLADIMIR PUTIN: First of all, I would like to say that I am happy with the results of my visit to Japan.

I am happy that the discussions of all the issues, including the most complicated questions, relating to the peace treaty were very open and substantial on this occasion. I think that we finally understood each other and finally realised that if we want to settle this problem, we need to work together towards a solution, and that if we want to use the Kuril Islands issue to resolve problems on the domestic politics front, play at being samurais and brandish swords, then we can play at this game too, get our swords out and run about and shout. But what I understood from our Japanese partners was that they have made a realistic assessment of the situation and have begun building a new quality of relations with us. We have begun working together to find solutions to this problem that would be acceptable to both Japan and to Russia and that would not undermine the international agreements reached in Yalta, Potsdam and San Francisco. I am certain that with good will on both sides we will find a solution. Russia is committed to reaching a solution that respects Japan's interests and, of course, that is also in keeping with our own national interests.

Regarding judo, I really do love this sport very much and I think it is a part of world culture. Judo's slogan is well known, at least to all who are involved in it. It goes as follows: "Harmony with the world around and harmony with oneself". This is a very important philosophical foundation for achieving results in any area of life.

Furthermore, this martial art is distinguished for its combination of courage and nobility, and we in Russia will do all we can to act in accordance with these principles both in politics and in sports.

IRINA GORYASHKIEVA (I-Stroi.RU): I have the following question: a package of documents on affordable housing was adopted at the end of last year. Experts have already identified a whole number of contradictions with the current legislation. This particularly concerns the Urban Planning Code and the Housing Code. How much time will it take to rework these documents, and is there not the danger that this project will be just as misunderstood by the public as was the Federal Law replacing social benefits with cash payments? Thank you.

VLADIMIR PUTIN: I hope that no misunderstandings will arise with regard to this project. You are absolutely right, though, to draw attention to sore points in the project's implementation. Of course, until we manage to cut through the red tape surrounding decisions regarding land, effective work in this area is not possible. This problem concerns not only the country's major cities but other areas too. Changes are therefore needed, changes required in order to carry out the Housing through to 2010 Programme and the Affordable Housing National Project. In this respect, as you know, the decision has been taken to increase the charter capital of the agency that will be working on

mortgage loans. The measures decided on include making subsidies available, subsidies for the population, above all for young people. These subsidies will be distributed among the different regions based on dependence on budget funding and on categories of people - young higher education graduates in rural areas, for example. None of these measures can be carried out without first making the relevant amendments to the legislation and I very much hope that the government and the State Duma will do this as soon as possible.

VLADIMIR KUZMIN (Rossiiskaya Gazeta): Mr President, you have mentioned the national projects a number of times today and I wanted to continue on this subject. Why has such a strange mechanism been created to work on these projects when we already have a functioning parliament and government? Why this new body that answers to you personally and that includes ministers, Duma deputies and representatives of the regional authorities, but does not include the Prime Minister?

Thank you.

VLADIMIR PUTIN: The Prime Minister heads the government of the Russian Federation and is responsible for overseeing everything that happens in the economy and is also in charge of some other areas of state work, including the national projects. All the ministries and agencies are directly subordinate to him and he does not simply oversee and monitor what happens, but directs this work. However, there were justified reasons, in my view, for creating an additional mechanism to help implement the tasks that have been set and ensure that these projects that our country has chosen as its main priorities are fully and properly implemented. These reasons are namely that we want to avoid the kinds of mistakes that have already been talked about here, avoid the misappropriation of the funds allocated for these projects - and this is a huge amount, 160 billion this year alone for the objectives set out by the national priority projects - and we want to concentrate all the efforts and administrative resources not only of the government but also of the regions and the Presidential Executive Office on this work.

I think this was a justified decision and I hope that this work will make effective progress and perhaps will be even more effective than are some of the federal targeted programmes.

OKSANA NIKULINA (Volgograd, Gorodskiye Vesti newspaper): Mr President, more and more young people have been entering politics over recent years. Could you share with us the secret of political success, and in general, what is your view on the role of young people in modern Russian politics? Thank you.

VLADIMIR PUTIN: That is a global question. Young people play a very important part in politics in any country considering that today's young people will tomorrow have the country's destiny in their hands and will be responsible for making state decisions. For this reason, the sooner young people become involved in political activity the better, all the more so as young people are not bound by stereotypes that get in the way of making bold decisions.

Of course, the number of young people in politics should be balanced, especially in the bodies of state power and management, because work in these bodies requires considerable experience and professional knowledge, but I welcome the participation of young people in political life and always have. That is my view on this question.

I do hope that young people will become actively involved in the country's life, as this is something Russia very much needs.

TSIOLIAS ATHANASIOS: (Mega TV, Greece): Mr President, there has been an increase in work to reach a settlement in Cyprus over recent months. You have met with many of the parties involved - with the Turks, the Greeks and the Cypriots. Many are even saying that talks should come to an end this year. I would like to hear your view on how you see Russia's role in this process, and has there been any change in your policy, as is my impression?

Given that I have been in Moscow for 20 years now, fortunately, without any problems with spy equipment, I would also like to raise another question and come back to something that was said last year. Last year I also asked you whether you are changing your policy on Cyprus, and you said a great deal then about problems with visas, with Cyprus and with Greece, for example. Does this problem still exist today?

VLADIMIR PUTIN: I will start with the second question.

The problem still exists but I think that we are moving in the right direction. Our Cypriot partners and friends have agreed to simplify visa issue formalities for certain categories of Russian citizens and are putting in place the best possible conditions for issuing visas for Russian citizens in general.

At the same time, however, we think that it would be entirely possible to return to a visa-free regime, at least with Cyprus. I think that the Cyprus economy has every interest in this given the huge number of Russian tourists who enjoy taking their holidays in Cyprus, including in the Greek part. But if this does not happen then more and more people who, believe me, are not at all politicised and do not even know what is going on in Cyprus, will travel to Turkey and to the northern part of Cyprus because they do not need a visa for these places. It is enough to pay \$20 or \$25 at the border, get a stamp in your passport and then off you go to enjoy your holiday.

As an island surrounded by the Mediterranean, Cyprus is a country with natural borders and it would be entirely possible to put in place a system that would allow tourists to come to Cyprus but not allow them to enter any of the other European Union countries in the Schengen zone without the appropriate permission. This is a realistic possibility.

We have asked our Cypriot partners and our friends and colleagues in Brussels to think this over. This would not violate the provisions of the Schengen Agreement. As you know, we are working together with Brussels on moving towards visa-free travel and we hope that this issue will eventually be settled with regard to Russia, and then the problem

with Russian tourists visiting Cyprus would no longer be an issue. But I do think that an exception could be made for Cyprus without violating any of the general rules.

Concerning our policy with regard to Cyprus, it has not changed, but we very much want our policy to be balanced and we would like all the participants in the settlement process - Turkey, the northern part of Cyprus, Greece and the Republic of Cyprus - to have confidence in Russia's work on the international stage and with regard to the settlement process in Cyprus in particular. We will continue to work with the UN Secretary General.

We think that only the island's inhabitants themselves can determine their own future, and we hope that compromises will be reached that are acceptable for both the north and the south of Cyprus. We think that northern Cyprus is also demonstrating quite clearly its desire to reach a settlement, and this should be encouraged. In any case, this would be fully justified as far as joint economic activity is concerned, without upsetting the balance of interests and without upsetting our relations with Greece, with whom we have had very close and friendly relations throughout the centuries, or with Cyprus as a state.

YEKATERINA GRIGORYEVA (Izvestia): Since the start of this year, Russia has taken a firm line in applying market prices to sales of energy resources to our neighbours. A lot has already been said on this subject but I wanted to know, do you not think that the political opportunities lost as a result of this policy might in the long run prove more important than the extra revenue made today?

VLADIMIR PUTIN: I don't think that the revenue received through introducing market prices for our closest neighbours will damage our policy in the post-Soviet area. Moreover, I am convinced that, on the contrary, it will help us to achieve our foreign policy goals and objectives.

I would like to point out that we did not suddenly decide to switch over to market prices with our neighbours, as some claim. After all, non-market pricing methods - which essentially amounted to subsidising the economies of the former Soviet republics at the expense of Russian consumers, Russian citizens - were in place for 15 years. Subsidies for the Ukrainian economy alone cost Russian citizens \$3 billion-\$5 billion every year. Every year! By way of comparison, if I recall correctly, U.S. aid to Ukraine came to a total of \$174 million last year, while here we are talking about \$3 billion-\$5 billion every year.

The Federal Republic of Germany, you know, puts enormous amounts of money into economic recovery in its eastern regions, but it is paying for the reunification of the nation, and what are we paying for? That is the first point I wanted to make.

Second, these subsidies, this help from our side over the last 15 years, no one has even noticed it, as if this is just the way things ought to be. But this is not the case. We have our own economy, our own country and our own citizens, our own pensioners, military servicemen, medical workers and teachers and other public sector workers who need our support. And we have long been talking about a transition to market prices. This did not

just happen overnight at the end of 2005. I would remind you that we have been discussing this issue with Ukraine for several years now, and we also discussed it at the beginning of 2005. We have also discussed it with our other partners and are discussing it today.

Finally, none of our decisions regarding the transition to market prices are in any way an attempt on our part to simply dictate our will. Previously, we concluded an agreement with Ukraine every year that set out the conditions for our gas supplies to Ukraine. This same agreement also set out the conditions for our gas supplies to Europe. Over all those years Europe was dependent on our agreements with Ukraine. At that time political considerations and unclear agreements really did dictate the price of Russian gas supplies to Ukraine. Today Russia and Ukraine have made a transition to a clear pricing formula. Pardon the vulgar expression, but we did not just pick our noses to get this price. There is a formula that is pegged to world prices for oil and for oil products, gasoline and heating fuel. This is all quoted on world markets. It is just a mathematical formula and does not depend on us. We apply this formula to all the western European countries, and this price, you could say, is determined by the world market independently of the Russian government's will. Such is the situation regarding Ukraine.

Regarding our supplies to western Europe, we have signed not one contract, as was previously the case, but two contracts - one on supplies to Ukraine and the other on transit to Europe. It is this that that will enable us to guarantee stable supplies to our customers in western Europe.

I think that this marks a huge step forward - a step taken by Ukraine and Russia towards ensuring stability on the European energy market.

ILYA KOLOSOV (TVTs): Mr President, you have said on many occasions that Russia needs investment, and this is natural of course, for development requires money. What is not so natural, as I see it, is that the government's declarations, the statements made by those in charge of the economy, amount to saying that an increase in the money supply at the moment would only trigger inflation and that it is better to invest the country's money in foreign securities and currency.

How do you explain this contradiction: the President says the country needs money, but the government ministers responsible for the economy and finances say that money will only cause problems. To be honest, this is the first time I've encountered finance officials for whom money is a problem. Thank you.

VLADIMIR PUTIN: What this all implies is that you have not paid enough attention to what is going on in world financial markets and in the world economy.

If you look back at the Netherlands' experience at a certain point in history, you will recall the so-called 'Dutch disease' when an economy is flooded by a sudden influx of money, petrodollars, for example. The world economy has developed an antidote to this

malady that results from a favourable situation on the world market having undesirable repercussions on the domestic economy.

What are these undesirable repercussions? Specialists know them well. Just to give a brief overview of what happens in this situation; we have a large inflow of petrodollars into our economy as a result of high world oil prices, now more than \$60 per barrel. The average price for Urals last year was \$51, but over the month of January it has already risen to \$58-\$60. In this situation, the Central Bank is obliged to immobilise these dollars and issue roubles. An increase in the money supply in the economy leads to a rise in inflation. In order to fight inflation, the Central Bank raises the national currency's nominal exchange rate, and this in turn leads to an increase in the real exchange rate and to a rise in imported goods entering the Russian Federation. Imports rose by 28 percent last year, and this slows down the development of our country's own processing industries.

These are all objective processes that you should keep in mind when you listen to the statements by our finance and economy officials. If it were not for the Stabilisation Fund, I think the Central Bank would not have managed to hold the inflation rate at 10.9 percent - the result for last year - I think the inflation rate would have been higher. And yet keeping inflation in check is one of our key development issues. We all talk about small business development, about the high refinancing rates in banks and the high interest rates on loans. Yes, interest rates are currently at 12-13 percent and stood at 15 percent at the beginning of last year, as I recall. But until we manage to bring inflation down to three, five or six percent, banks will continue to have high interest rates, people will not be able to make effective use of mortgage loans, the state will not be able to effectively develop mortgage programmes for housing construction and business will not be able to obtain long-term and cheap loans at six or seven percent interest. This is a complex and many-sided issue and it requires a very responsible policy. So far, the government has managed to follow just such a policy.

By the way, the money from the Stabilisation Fund does not have to be invested only in foreign securities. I would like to point out that the priority national programmes were made possible when the government raised the threshold above which oil revenue is channelled into the Stabilisation Fund to \$27, and this has increased budget revenue. Some experts think this is a risky step in terms of being able to maintain our macroeconomic policy goals, but it is a conscious decision and a justified decision, I believe, because the people of Russia should be able to see for themselves the positive results of the government's macroeconomic policy, should see the benefits, and we need to give our people confidence that the government is taking the right course so as to increase public support for the government's development programme. I think the steps that have been taken are justified and have been carefully planned because the proposed budget parameters and economic development objectives are consistent with being able to maintain our macroeconomic results.

QUESTION: Mr President, I have two questions. The first question is from the Russian-speaking people in our republic [Ingushetia]. Will the federal authorities support Russia's

only programme to help the Russian-speaking population return and rebuild their lives - a programme that our republic is currently carrying out with the support of our President?

And my second question: can the displaced persons from North Ossetia hope that your instruction will be carried out and that by the end of this year they will be able to return to their former places of residence?

Thank you, Mr President. I am attending your press conference for the second time, and for the second time am able to put my questions to you. I hope this will become a good tradition.

VLADIMIR PUTIN: Thank you for the attention you are giving these issues. Let's start with the painful and complex issue of the return home of displaced persons.

I think that this is the right process, a move in the right direction. But we must not politicise this process and create problems where none exist. People lived together side by side for decades without any problems. What we need to do today is create conditions that will build up people's trust in each other. The politicians on both sides, in North Ossetia-Alania and in Ingushetia, must renounce using this issue as an instrument for boosting their own ratings. We need to work on resolving the problems of individual people, and if we concentrate on this, if we look to the needs of individual people, people who we know by name, we will be able to settle this whole situation. That is the first point I wanted to make.

Regarding the return of the Russian-speaking population to Ingushetia, we will, of course, support this process, all the more so as it was initiated by the republic's leadership. It does not matter which ethnic group these people belong to, whether they are Ingush, Russians, Tatars, Mordvinians, Jews or anyone else, because whoever calls Ingushetia their home has the right to return there. The President's initiative is very important, very good, and it is an example for other regions in the North Caucasus. We will of course find ways of supporting the President of Ingushetia in this initiative.

QUESTION: I will ask my question in French, if I may. Channel One.

Many journalists in Europe, and also some European leaders, think that Russia is using gas and energy supplies as a weapon to achieve its political aims. Could we say that the gas pipelines of today's Russia have replaced the missiles of the Soviet era?

Thank you.

VLADIMIR PUTIN: For a start, we still have ample missiles. What's more, we are developing our nuclear deterrent force. As you know, we recently tested a new ballistic missile system. The year before last we successfully tested a new missile system that as yet has no equivalent anywhere else in the world. I showed the President of France the principles of how this system works in all trust when he visited one of our military space facilities. President Chirac knows what I am talking about. This is an important new

missile system that is not a response to ABM systems, because it does not matter to these missiles whether there is an ABM system in place or not, for, as I have said, they operate at hypersonic speed and can change their trajectory both in terms of course and altitude. ABM systems, meanwhile, are designed to provide defence against ballistic missiles that follow a ballistic trajectory to reach their targets. We are talking about a completely different system. But this is a missile that can deliver a nuclear warhead.

Regarding energy, I already explained just now when answering the question raised by your Russian colleague that we are switching to the same pricing system with our partners that we already use with Germany, France, Bulgaria and Romania. This pricing system is based on a formula. I can outline it for you - it isn't complicated. You take the average base price from last year, add 0.5, multiply it by the average base price for gasoline, add 0.5, and multiply it by the average base price for heating fuel. This does not depend on us. It does not depend on the will of the Russian government. Whatever price the market sets for oil and oil products, such is the price we will use with our partners. This is the fairest and most transparent pricing method. We have been using it for decades now in Europe. If we can use it with the Germans, why should we not be able to use it with Ukraine?

Aside from anything else, as a representative of the western European press, you should know that bargain basement prices for the former Soviet republics create problems for the development of major industrial sectors in western Europe. If you have the Ukrainian steel industry, for example, receiving \$50 per 1,000 cubic metres and benefiting what's more from a very cheap labour force, this creates conditions for dumping on the world metals markets, and the same goes for the petrochemicals market, or the market for fertilisers. This lowers development prospects for industry in western Europe and jeopardises jobs in Europe. Is that not clear?

We are not discriminating against customers in the former Soviet republics but are simply applying equal conditions to all, and we think that this is a fair move. It is therefore absolutely unjustified, in my view, to speak of us using a new 'energy weapon'.

NATALIA MELIKOVA (Nezavisimaya Gazeta): Mr President, in your Address to the Federal Assembly last year, you referred to the bureaucracy as a 'haughty caste' and you have said on many occasions that the state should withdraw from sectors of the economy where its presence is not justified. But last year alone two major companies that are controlled by the state and have senior civil servants acting as chairmen of their boards of directors acquired private companies in the oil and gas sector.

VLADIMIR PUTIN: What did they acquire?

NATALIA MELIKOVA (Nezavisimaya Gazeta): They acquired stakes in these private companies. My question is: does this process of what is essentially de-privatisation not contradict your plans to fight bureaucracy and corruption? Thank you.

VLADIMIR PUTIN: These acquisitions are not in contradiction with my plans because, for a start, they took place on the market, on the basis of market principles. Second, regarding these companies you referred to, and I assume you are referring to Gazprom and Rosneft, Gazprom is already a joint-stock company with foreign capital, and we have liberalised the market for its shares, and Rosneft is preparing, as I have mentioned, to issue its securities on one of the world stock exchanges and will also attract a considerable number of foreign investors. This is a conscious choice on our part. These two companies will remain under state control in the sense that the state will still be the main shareholder, but they are working under market conditions. When I spoke about the unjustified presence of the state in some sectors of the economy, I had in mind purely state-owned enterprises linked, it seemed earlier, to important infrastructure or to the defence industry, but in reality not having anything to do with either sector today.

Regarding the oil and gas sector, I have already said that no nationalisation will take place in our economy, unlike, say, in Norway or in some of the OPEC countries. The overwhelming majority of companies in our oil and gas sector are either absolutely private or have mixed capital, and we will continue to maintain this balance.

ALEXANDER SHKOLNIK (Mediakratia): Mr President, not so long ago you set the trend for the concept of 'corporate social responsibility'.

What do you have to say about the social responsibility of journalists and the mass media? How important is this issue?

VLADIMIR PUTIN: This is a question I would not like to have passed over in silence. What I really hope is that the media community itself will set the limits for what it thinks possible and where it thinks the line should be drawn.

I am very pleased to see that as our society matures quality changes are also taking place overall in the media community. I simply notice that real experts are now emerging among Russian journalists, people who specialise in this or that area. Sometimes it is a real pleasure to talk with people, and sometimes it is complicated because you sense that you're talking with someone who really knows all the details. Journalists have a great responsibility because people in our country have traditionally always placed their trust in everything that is said publicly in the mass media.

I very much hope that the media community in the broad sense of the term will realise the level of responsibility it has. In any case, the state is not going to impose any restrictions under the pretext of raising the level of responsibility.

ALLA SEMENYSHEVA (NN-Networks, Nizhny Novgorod): Mr President, to be honest, when I came here I also wanted to ask serious and intelligent questions, but now that our discussion is into its third hour, I realise that I'm just going to have to pull myself together and on behalf of all the blond women in this room ask what is perhaps a stupid and silly question: what do you do to always stay looking so good? Do you use anything particular to restore your youth and good looks?

VLADIMIR PUTIN: If by anything particular you mean alcohol, then no, I don't drink. I have never taken drugs, never even tried any drugs. I have never smoked. I love sport and I work hard and this always maintains an inner psychological state that I think is extremely important for anyone.

And through you I say a big hello to all blond women.

ANNA NIKOLAYEVA (Vedemosti newspaper): You have spoken about the consolidation of oil assets, including in the hands of state-owned companies. Last year we saw, however, that this tendency is also spreading to other sectors. Everyone knows that Rosoboronexport has acquired control of AvtoVAZ, and there are persistent rumours that ALROSA could acquire Norilsk Nickel. What is your view on state companies acquiring new assets and are you aware of plans by state-owned companies to buy new assets?

Thank you.

VLADIMIR PUTIN: I don't know anything about ALROSA planning to acquire Norilsk Nickel. This is above all an affair between the companies themselves, but if you put this question to the directors and owners of Norilsk Nickel, I am sure they would be extremely surprised. As far as I am aware, they have very ambitious development plans both at home and abroad. We will support the activities of Norilsk Nickel and of other private Russian companies, and not only in Russia but also on the international stage. They have already taken impressive first steps. These are only modest steps for now, but the results are impressive in their quality.

Regarding AvtoVAZ, there is no point in trying to hide that the company is in a difficult situation and if a state concern is willing to take on the role of crisis manager and turn the company around, then this is not a bad thing. But this does not mean that we have set a course towards greater state involvement. I don't rule out that in taking decisions on the car industry's development, these possibilities, the possibility of consolidating a stake in one of the biggest Russian companies in the aim of keeping the company afloat, preserving jobs and taking production to a new technological level, could be used for the good of the industry's development.

NATALIA SPASSKAYA: (Deaf TV Nizhny Novgorod): There are around 13 million people like myself in Russia, hearing-impaired people. In Europe, around 70 percent of television programmes have subtitles while here the figure is ten times less. Can you find the money and the opportunities and take the necessary decisions so that we have just as many TV programmes with subtitles as in Europe?

A second question: many countries recognise sign language as an official language and this helps the deaf community in its all-round development. When will Russia make sign language an official language so that Russia's deaf community can also become more developed? Thank you.

VLADIMIR PUTIN: The second question depends on the activeness of the Duma deputies and of everyone who defends the interests of deaf people in Russia. It depends on disabled peoples' organisations in general in Russia and on their activeness in the parliament.

Overall, I completely agree with you that this area of work in the mass media gets insufficient attention today in Russia. Last year I issued instructions to the state television company and it has increased the use of subtitles in its programmes. I hope that other television companies will make use of the technical possibilities available today, and I call on them to do so and not to fear that subtitles will somehow interfere with watching the picture on the screen, for, on the contrary, it will enable everyone, all citizens of the Russian Federation, including people with disabilities, such as the deaf, to be able to keep up with what is going on and watch films and news programmes. This would help all citizens of Russia participate more fully in our country's life, regardless of their physical abilities. We will definitely move in this direction.

NATALIA SPASSKAYA: (Deaf TV). A lot of people in Russia use Russian sign language to communicate, but because this is not an official language, problems arise for the deaf community in its development. As the only television channel for deaf people in Russia, and indeed in the whole of the CIS, we have an interest in seeing this problem resolved. Thank you.

VLADIMIR PUTIN: In the first part of my answer to your question I said that I think that the relevant organisations representing the deaf community and other disabled peoples' organisations in Russia can and should raise this question in the State Duma. Let's raise this issue in the country's parliament, hold a discussion on it, and the decision that results and is adopted will of course receive the support of the President.

ELENA LEONOVA (State Radio and Television Company Kostroma): My question regards the cross Russia bears today - a falling birth rate and rising mortality rate. Many people say that the problem is not even one of material issues but is because we have changed orientation.

VLADIMIR PUTIN: We've changed orientation? I wouldn't go that far.

ELENA LEONOVA: People are no longer guided by family-based values. Mothers are interested in careers, unfortunately, not in children. Demographers say that it is already too late to resolve the problem by taking small steps. What's needed now are radical measures. Many people say that we should even abolish the Pension Fund so that people will have to rely not on the state to support them in their old age but on their own children, as was the case in Russia in older times. What is your view on this?

VLADIMIR PUTIN: I think that Russia cannot now abandon modern forms of social protection for the population, and this includes the old-age pension system, which we cannot and will not abandon. Furthermore, the demographic situation is creating certain

concerns for the Pension Fund's future, but in this respect I can say right now that we are examining this problem and are taking steps to put in place mechanisms that will protect the pension system. I am thinking here of the transition to an individual account-based pension system, which we will continue to develop, and also of the federal budget's subsidiary responsibility for the state of pension system. We are not planning to withdraw from our commitments in this area. Moreover, I think that the correlation between today's wages and tomorrow's pensions should be raised. This is one of the pension system's biggest problems.

Concerning the birth rate, yes, the demographic situation remains complicated and we still have a situation where we lose more people than we gain. Nonetheless, the birth rate has been on an upward trend over the last two years. This is a very positive and welcome process for the country and for the state. You know that we have taken measures to support families and motherhood. In particular, we have increased the one-off allocation for the birth of a child from 6,000 roubles to 8,000 roubles, and we have raised the child benefit for children under 18 months from 500 roubles to 700 roubles. Of course, these are just small steps, but I hope and I am certain that they are steps in the right direction.

The introduction of so-called 'childbirth certificates' has proved a success. Just to remind you what they are all about: the childbirth certificate is a document given to pregnant women, and they bring it with them to their pregnancy consultations. If the centre where the woman goes for her consultations sees the pregnancy through to the thirtieth week, I think it is, that is, does all it can to help the woman keep the child and give birth, the woman leaves the document's cover with the centre, which immediately receives 2,000 roubles for each woman giving birth, and afterwards, after the woman gives birth and if everything goes well and the mother and child are healthy and happy, the mother leaves the main certificate with the maternity home, which receives 5,000 roubles for each certificate.

What we hope this initiative will achieve is to act as an added incentive to raise the quality of medical facilities in this area. I think that all of this is not enough, but these are simply the first steps the government is taking to address this problem.

I would also like to say that the demographic issue is not just a 'cross' for Russia to bear, but is a problem for all the post-industrial countries. It is true that it is not dependent on prosperity and level of income, but is rooted in changing priorities and values.

As you rightly pointed out, this is linked above all to the career issue, to women deciding to have their first child at a later age. In some western European countries women do not have their first child until they are 29-30, and then after the first couple of years, while the first child grows up a little, it's already getting a bit late to start thinking of having a second. This is a problem for many countries in the world and everyone is looking for the solution. An effective way of reversing this trend has not yet been found, but what is absolutely clear is that the very least we must do is to support families and motherhood.

Dear colleagues, we have been working for two-and-a-half hours now. I doubt that any of you put on pampers before coming to this press conference, and so we will anyway be in need of taking a technical break. Let's continue working for a while, but let's start moving towards the finish line.

QUESTION: (Russia Television Channel, Vladimir, State Radio and Television Company Vladimir): Mr President, allow me to come back to foreign policy. There is the concept of a country's political image. As head of state, you can probably tell us, has Russia's political image undergone any changes over these last years? Has the way other countries view us changed? Does Russia have greater authority in the world today and do other countries respect us more?

And one other question: are you interested in foreign publications, in what is published in the foreign press about Russia? How do you view these publications? And what is your view on the policy of double standards?

Thank you.

VLADIMIR PUTIN: We have to know what others are saying about us. We have to be able to recognise for what it is well-intentioned analysis and criticism from our friends in other countries, and they are the majority, who want to see a stable Russia, a Russia that is a full-fledged actor in international life, enjoying full rights, and who hope to obtain certain positive results from cooperation with such a country. As I said, these people form the majority. But there are also die-hard Sovietologists, so to speak, who do not understand what is happening in our country and do not understand the changing world. There is no point in discussing anything with them because they simply have their one line of behaviour and don't see beyond it. What can we say to such people? There is not even any sense in entering into discussion with them because by debating with them we only help them achieve the goals they've set themselves. They really deserve no more than a 'Bah! Be off with you!', and that's that.

But serious criticism is another matter and we have an interest in it because it gives us the chance to look closer at the mistakes that we make and helps us to better focus our resources on truly important tasks and problems. No one likes criticism, of course, but it is useful.

Regarding the country's image, I think that as our society matures, as our economy develops and improves and as our country becomes more stable and predictable, its position on the international stage and its influence in world affairs will certainly grow stronger.

BARBARA WLODARCZYK (TVR Poland): Good afternoon. My colleagues said that I wouldn't be able to ask a question. It's a pity I didn't make a bet with them.

VLADIMIR PUTIN: Yes, it's a pity; you could have shared the winnings with us later.

BARBARA WLODARCZYK: Yes, but you know, Poland is not the wealthiest country. (laughter in the hall)

VLADIMIR PUTIN: Don't play down your achievements. Poland is developing at a good pace and its market capitalisation rose by more than 30 percent last year. That is a very good result.

BARBARA WLODARCZYK: Thank you very much, I also very much believe in my country. My question is as follows: a year-and-a-half ago you criticised Polish journalists for the way they covered the events in Beslan, for example, and for their coverage of the situation in general in Russia. How do you view the image of Poland in the Russian media? And what do Poland and the countries of eastern Europe mean for Russia today?

VLADIMIR PUTIN: You know, the Poles and the Russians are essentially one and the same family. We should not forget that we all share a common cradle in the Carpathians. It is from there, during the first millennium after the birth of Christ, that the Slavs spread out throughout Europe. Some went west, and these were the Lyakhs, and some went east, and these were the Polyans, Drevlyans and so on. But we all share the same cradle. We never forget this and we have immense respect for Poland for its contribution to world culture, to the world economy and to European and international affairs today.

As is always the case with close relatives, we have had our share of problems. I won't list them all now because we would simply create confusion, putting forward all our claims against each other, starting with the occupation of the Kremlin (in the seventeenth century). We would get ourselves tangled up in all these claims.

To speak absolutely frankly and openly, both in Russia and in Poland there is a certain wariness in some quarters of our respective societies with regard to each other. The politicians in both countries are aware of this, but instead of looking to the future in the interests of their citizens and building relations for the future for the good of the Polish and Russian peoples, they are always trying to raise the problems of the past in order to boost their own prominence at home. I think that this is a very short-sighted approach and that it is very harmful both for Poland and for Russia. I very much hope that in both Poland and in Russia political forces will come to the fore that, based on the foundation of the wealth of our past relations - and there were also many positive aspects in our history, for example, our fight against Nazism together and much that was positive at other times too - will follow policies that look to the future. This is not only possible but also necessary in both Poland and Russia.

Concluding my answer to your question, I would like to express my sincere condolences to the Polish leadership and people following the recent tragedy in your country that took the lives of more than 60 people. This is a terrible catastrophe and we are together with you in mourning the victims. I would like the Polish people to know this.

ANASTASIA BAYANKINA: (State Radio and Television Company Tyumen Region): "Russia will prosper through Siberia" - Your words, Mr President.

VLADIMIR PUTIN: No, Lomonosov's words. (Laughter in the hall)

ANASTASIA BAYANKINA: Our governor recently became the head of the Presidential Executive Office. Has the Kremlin felt any new prosperity through its Siberian addition, and how do you see Siberia's potential in terms of human resources? Thank you.

VLADIMIR PUTIN: Siberia is a very important region for us, a region with immense natural resources. Eastern Siberia is a veritable storehouse of natural resources, and as yet unopened storehouse of the world's energy resources. Russia's energy potential is underestimated. I'm not even talking about Western Siberia. We are going to draw on the Yuzhno-Russkoye [deposit] to feed the North-European gas pipeline. We estimate production there of 22 billion-25 billion cubic metres a year. We also have the Shtokman deposit right nearby in the Barents Sea and there we can expect production of 90 billion cubic metres a year for the next 50 years, this is all calculated.

As for Eastern Siberia and Siberia in general, the world will certainly have need of its immense resources, and of its huge scientific potential. At the same time, Siberia is somewhat further removed from the centres of political life in the country, but this is to the Siberians' advantage because it means they are not caught up in all sorts of political tussles and disputes. I am sure that given the high level of education in Siberia, and also the purity there, the moral purity, Siberia's human resources will be of great importance for the country.

Please, go ahead.

QUESTION: I have a serious question to raise now during this third hour of our discussion.

Last year we celebrated the anniversary of victory in World War II. This event brought Russians together and gave us a feeling of immense pride in our country. Unfortunately, however, our war veterans are departing from this life, taking with them the era of great patriotism.

What do you think we can do today to unite people, to bring together people of different social backgrounds, income level, different generations? What is modern Russia's national idea?

VLADIMIR PUTIN: There are just a few fundamental things that unite us. Chief among them is love for our homeland, love for our motherland, and we have come up with nothing new in this sense.

As for all that goes with this, in order to feel pride in our country we need to be self-sufficient and effective, and in this sense we need to ensure the competitiveness of each individual citizen and of Russia as a whole.

We often talk about our potential in the energy sector, but I would like to draw your attention to another tendency that emerged last year. One of our key priorities is to diversify our economy and make a transition to innovative development. Not many people know that last year investment in capital assets came to \$121 billion last year and of this total only \$8.7 billion was in the oil and gas sector. All the rest was in the processing sector, in transport, agriculture and telecommunications. This shows that a tendency for innovative development is emerging. For now this is still just a tendency. We are beginning to see change in the situation with replacing aging equipment and this is a good result. It is not by chance that Russia was ranked sixth among countries in terms of investment attractiveness. This is also a very good result and a good objective appraisal of Russia's current situation and development outlook.

In this respect I would like to remind you that the Russian government is not sitting idly by but is taking concrete measures to ensure that we reach these objectives and set our country on a course of innovative development. As I have already said, we have adopted an industrial assembly programme in the motor vehicle industry. We have created or are in the process of creating special economic zones aimed at giving a boost to innovative development. During the first stage six zones will be established: in Moscow, Moscow Region, St Petersburg, Lipetsk, Tomsk and Tatarstan. The Russian budget has already made provisions for \$300 million for this project and the regions will allocate just as much. We have established not only the Stabilisation Fund to maintain the macroeconomic situation, but have also set up the Investment Fund, into which we initially plan to channel \$2.5 billion. We have already adopted the first programme to support Russian high-tech exports, as other industrially developed nations have done. During the first stage around \$1 billion will be allocated for this, a figure of around \$700 million - \$800 million. This is not a lot, but it is the first step in the right direction.

Finally, we will carry out our work within the federal targeted programmes that are aimed at creating the infrastructure needed to support a rapid pace of innovative development in the Russian economy. We have passed the law on concessions, which is important not just in terms of developing mineral resources production, but also in terms of, above all, developing infrastructure, port facilities, toll roads and so on.

Finally, I would like to inform you that we will soon establish the Russian Development Bank. Together with our friends in Kazakhstan we recently set up the Eurasian Development Bank with charter capital of \$1.5 billion. We plan very soon to establish the Russian Development Bank with charter capital of \$2.5 billion. All of these steps, together with the measures the government is planning not only in the area of stabilisation but also in developing the stock market to make it more modern and have transactions carried out on-line and in real time and not the next day, as is the case at the moment, in order to give the owners of securities greater confidence in their security and improve asset quality for all stock market participants - all of this together will definitely help to make our country stronger and help resolve the problem that you raised.

LEONID GUSELNIKOV (Yamal Region together with Television and Radio Company Yermak, Urals Federal District): Mr President, at your initiative last year the State

Council Presidium met in Chelyabinsk to discuss the historic question of the Industrial Urals and the Arctic Urals. That meeting marked more than 100 years since this issue was first examined at highest state level in the nineteenth century.

This really amounts to a mega-project of immense historical and global importance. It is a project for transforming the metallurgical and machine-building industries, for introducing new technologies, making investment and bringing about social change throughout the north of Russia and the Urals Federal District. How do you assess the progress made in implementing this project? How do you assess the government's work in this regard and how are the investment and economic components coming together in this project that will clearly, with time, come to bear your name, because it could well be the transformation project with which you enter history?

VLADIMIR PUTIN: Could you say more clearly what exactly is your concern?

LEONID GUSELNIKOV: As head of state, how do you assess the progress made so far and what needs to be done in the upcoming future? Do you believe in this project to which you have given the name, Industrial Urals, Arctic Urals?

VLADIMIR PUTIN: I believe, of course, that we will achieve all the goals that we set. What do we need to do in order to achieve this? We need, of course, above all to focus our administrative resources and ensure that the decisions made are implemented in practice. But no matter how much administrative work we do, we will not achieve anything if we do not achieve the fundamental and far-reaching objectives we have set for our economy.

I already said that we need to set our economy on a course of innovative development. I have nothing to add to this, but I will take advantage of your question to come back to the fundamental issues, the fundamental problems we face.

What do I see as fundamental priorities for the development of the Russian economy in general and that of the Urals region in particular? We need to hold inflation in check. We need not only to hold inflation in check but also to bring it down to single figures - to 8 percent and lower, bring it down to 5, 6 or 3-4 percent. And we can achieve this goal.

Second, we must continue to follow a policy aimed at preventing an unjustified rise in the rouble's nominal and real exchange rates. We need to help our manufacturing sector through competitive macroeconomic instruments and means. We must continue to reduce the tax burden on the economy, and as I said, this requires caution and we must weigh up all the consequences of this or that step, but this is a direction in which we must continue.

Finally, we must encourage a rise in savings both among the citizens of the Russian Federation and among the market participants, and at the same time we need to create conditions for investing these savings and resources in the national economy. This is also very important. It is precisely for this reason that we are carrying out the federal and targeted programmes on infrastructure development that will help us to achieve this

objective. All these things together, plus, of course, continued institutional reform, which we must not under any account forget, will help us to achieve the goals that we have set. We can draw up whatever plans we wish, but if we do not put in place the fundamental conditions for their implementation, no matter how much we boast about our plans we will not achieve anything because the general situation in the economy will be such that we will simply not be able to carry out the tasks we have set. Take institutional reform, for example. What am I referring to here? The specialists know: I am referring to the reform and modernisation of the electricity sector, for example. We have outlined our plans and we are carrying them out. I was very happy to see that RAO Unified Energy Systems itself came up with a proposal for the government regarding some changes to the deadlines and phases in this modernisation process, because they had begun to realise the full social and economic consequences and the consequences for the company itself of implementing the measures that had been proposed for the reorganisation of the sector and the creation of separate generation, dispatch and grid management companies and so on.

In this regard we can also mention the transition to modern international financial reporting and accounting standards and better protection for bank deposits, insurance for bank deposits. We should also mention the full convertibility of the Russian rouble. As you know, in 2007 we will remove all restrictions on currency transfers, on currency operations, and this includes restrictions on currency reserves when carrying out currency operations.

Only by implementing all of these measures as a whole will we be able to reach the goals we have set ourselves.

TAMARA NUTSUBIDZE: (MZE Georgia): Mr President, you said yesterday that a settlement to the Kosovo problem should be universal in nature. Does this mean that if Kosovo is given recognition, Russia will support similar decisions with regard to the conflicts in the post-Soviet area that still have to be resolved, including in Abkhazia and South Ossetia?

And a second question: how do you view the Georgian parliament's initiative on the withdrawal of Russian peacekeepers from the conflict zones? Thank you.

VLADIMIR PUTIN: Regarding Kosovo, there is UN Security Council Resolution 1244, which states that Kosovo is an inalienable part of the Federation of Serbia. Our position is that UN Security Council Resolutions are not just declarations drawn up to reflect the political situation of the moment, but are adopted in order to be enforced. That is the first point.

Second, regarding general principles: I said last time, I think, that there are examples when, say, in one part of Europe, in the south of Macedonia, for example, decisions were taken that give the Albanian population living in this region the right to be represented in the bodies of power, including in the police, in proportion to their share in the region's total population. For example, if the region's population is 20 percent Albanian, then 20

percent of the police force should be Albanian. But in Riga, for example, the population is 60 percent Russian and yet why are these principles not applied there? Principles should be universal otherwise they do not create trust in the policies we follow.

And on the contrary, if we think that a decision is unfair we will say so. This also goes for Kosovo. If someone thinks that Kosovo can be granted full independence as a state, then why should the Abkhaz or the South-Ossetian peoples not also have the right to statehood? I am not talking here about how Russia would act. But we know, for example, that Turkey recognised the Republic of Northern Cyprus. I am not saying that Russia would immediately recognise Abkhazia or South Ossetia as independent states, but international life knows such precedents. I am not saying whether these precedents are a good or a bad thing, but in order to act fairly, in the interests of all people living on this or that territory, we need generally accepted, universal principles for resolving these problems. This is what I was talking about yesterday during my meeting with the Cabinet.

GOAR BOTOYAN (Avangard, Armenia): The new Armenian constitution recognises dual citizenship. Can Armenians hold Armenian and Russian citizenship at the same time? If yes, then when will this law take effect? Thank you very much.

VLADIMIR PUTIN: Russian legislation does not allow for dual citizenship. Citizens of other countries who wish to bind their lives to Russia must give up the citizenship they hold and adopt Russian citizenship. These are the provisions of the law and they must be observed.

But at the same time, I recognise that we have a special situation in the post-Soviet area and we need to work towards making it easier for all who wish to obtain Russian citizenship to do so.

GALINA SAVINICH (Narodnaya Initsiativa): You spoke in one of your answers of the measures the state is taking to encourage people to have more children. My question is a little different: will you draw up a national programme to improve the demographic situation in Russia? As you realise, this would require a completely different scale of investment. Will the state recognise women's work in raising children? What I am saying here is; will the state provide recompense for women's work in raising children at least until the age of three?

And one final question: is it not time to create a system of economic incentives to encourage the return to Russia of the 10 million top-class specialists who were forced to leave the country during the perestroika years? They are ready to come home but they are waiting for changes in the economic situation and in the attitude towards specialists in particular.

VLADIMIR PUTIN: The resolution of any social problems, including demographic problems and support for families and motherhood cannot be examined as separate issues without taking into consideration the state's economic possibilities. I agree with you that

as our economic possibilities increase we must not just talk about this problem but allocate the necessary funds to encouraging the processes we want to see happen, and this includes encouraging people to have children.

I already spoke about the measures we are taking and about the benefits that have been raised from 6,000 to 8,000 roubles and from 500 to 700 roubles. I think we could indeed consider extending the period of childcare during which the mother receives a child benefit to three years. Other measures are also possible in this area. All of these measures could be taken together to form part of a national programme for supporting families and children, encouraging a higher birth rate and improving the demographic situation. These are very serious decisions and must be based on economic calculations.

I think that the government and the national parliament could begin working on drawing up such a programme.

OLEG DUSAYEV (Kultura Television Company): I would like to ask you a question not as President but as the father of two daughters: You talked about the media's responsibility and about education, about our need for greater education. The situation is different for everyone - some people need more education in some areas and some in others. The young generation, whichever way you look at things, is most attracted to watching television. What would you put on for your daughters and what would you watch yourself? I'm not asking for the specific details, but what do you look for when you turn on the TV? What do you think you can let your daughters watch? Are you happy with the level of responsibility being shown by the media?

Sorry if my question is a bit unclear, but this is an issue of concern for me.

VLADIMIR PUTIN: What I want to say first of all is that my daughters do not ask me what to watch on TV. I imagine that your children also do not ask you and often do not even inform you about what they watch, what they talk about and who they meet with. They should have freedom of choice.

Freedom in general and freedom of choice is an absolute value for any person. If we can ensure this freedom in our society it would be a great achievement on our part.

Regarding the programmes and the quality of the information products the mass media offers us, including the electronic media, I can say that more and more often I turn on the Kultura channel because, without trying to flatter you in any way, when you zap through the channels, if there's time, you often come back to Kultura because it has been showing more and more interesting programmes of late, over the last year at any rate, programmes about history, about culture, programmes promoting humanistic values and ideals. And these programmes are all made quite professionally and are interesting for the viewer.

The more programmes of this kind the better.

Incidentally, I am often asked why there is no programme on culture among the priority national programmes. This is a mistake.

DMITRIY LYUSTRITSKY (Vostochno-Sibirskaya Pravda, Irkutsk): Mr President, 2006 marks the start of large-scale municipal reform. The mayors have been elected and the law has come into effect. But at the same time, the adoption of laws 198 and 199 has led to a flow of powers back from village level to district level, and many people see this as a return to the pre-reform status quo. What is your position regarding the stages and current state of municipal reform?

VLADIMIR PUTIN: I am grateful for your question because it allows me to look at the internal political life in our country in general and come back to the issue of state-building.

Very often, and several times during this press conference, we have touched on the subject of how the regional heads come to power. This is not simply a case of centralising power in Moscow, although this is in part true in that the President now takes more participation in the process of designating regional heads, together with the legislative assembly of this or that region. But at the same time, we are also carrying out a process of decentralisation in that we are delegating to the regions the powers in areas we think could be addressed and managed most effectively at local level. So, rather than this being a case of Moscow tugging the blanket its way, it is a more sensible distribution of powers in order to better address and resolve the problems of our citizens.

The most important aspect of what we are doing is that the powers and responsibilities the regional and local authorities receive are being backed by the necessary funding. I hope that it will become a hard and fast rule that any power delegated from the centre to the regions should be accompanied by the allocation of the relevant funds, which was not the case previously. This is how we ended up in such a dead-end situation in education and the primary healthcare sector, because all powers in these areas were delegated to the municipal authorities at the beginning of the 1990s, but the money needed to carry out these powers did not follow suit. We need to turn this situation around. There is no point in accusing people of not making a proper effort and working effectively if they have no money with which to carry out the tasks before them. That is the most important point. As for the relations between village and district councils, I hope that we will develop an effective approach to distribution of powers and ensure that each level of power is able to resolve the tasks it has been set. This is the main thing. Almost half of all the country's regions have now implemented Federal Law 131 on the division of powers. We are not going to insist that this law be implemented hastily, in a roughshod manner, at all costs and in a way that would damage citizens' interests, but we do insist that this law be implemented throughout the Russian Federation by the end of 2008 or 2009.

ALEXSEY KOLOMENTSEV (Delovoy Petersburg newspaper): You mentioned that talks are underway at federal level with 14 major car manufacturers. Are any of them looking at St Petersburg as a possible site for opening up their own production here, and

which other major companies, in your view, could potentially work in St Petersburg or in the Northwest Region? Thank you.

VLADIMIR PUTIN: Any big company can work in St Petersburg given the city's good human resource potential and quite well developed infrastructure - information and business infrastructure, communications, transport, roads and railways. St Petersburg is a good place to start any business. Fortunately, the city also has leadership with common sense, effective leadership. I won't name any specific companies at this moment because this would only upset the normal course of business negotiations. We are engaged in talks with German companies in this respect and also with some companies working in Asia. You already know that Toyota began work last year. There are also other opportunities, especially linked to the development of port infrastructure and so on.

We began work at the port at Primorsk two-and-a-half years ago. The biggest oil port was at Novorossiisk at that time. Correct me if I'm wrong, but I think that today Novorossiisk handles 40 million tons a year. We only opened Primorsk two-and-a-half years ago but it already had throughput of 58 million tons last year and this year will probably reach a figure of 60 million tons.

We just recently opened new port facilities in Ust Luga. This year the port will have throughput of around 5.5 million tons, but by 2010 we will raise this figure to 32-35 million tons, that is, we will come close to the throughput the port of St Petersburg currently has, and given that Ust Luga has a good depth, bigger ships can enter the port there. We will certainly be creating competition for all our partners and colleagues in the Baltic Sea basin, but this is normal, healthy competition which, I am sure, will lead to a higher quality of service for freight transporters.

NATALIA IVANOVA (Golos Chitatelya, Leningrad Region): A presidential decree was issued in 2000 saying that civil servants had to reply to critical publications within a two-week deadline. No one in our district pays any attention to the publications in our newspaper and in two other publications, however. We wrote to Moscow but received a reply saying that these problems should be sorted out at our place of employment.

VLADIMIR PUTIN: Cases of civil servants brushing off critical reports in the press are not new. But I promise you that I will try to react whenever such problems come to my attention - I will try to react constantly. I must say that regarding the cases that do come to my attention or that I learn about through watching news programmes on television, many civil servants will confirm that I react quite quickly and that my reaction is very firm. But of course I cannot keep check on everything that goes on from Moscow, especially in the regional press. Overall, we need to create the conditions, as I have said on many past occasions, for developing civil society so that all of civil society can react to problems with this or that civil servant if people are encountering such problems.

NATALIA IVANOVA: (microphone not switched on).

VLADIMIR PUTIN: Could you please speak into the microphone? You see, there go the civil servants trying to cut you off immediately. (Laughter in the hall) We will sort this situation out.

NATALIA IVANOVA: Our newspapers are not only becoming independent; they are going into opposition.

VLADIMIR PUTIN: There, you see, they switched the microphone on immediately.

(Laughter in the hall)

QUESTION: They are going into opposition, and once they become identified as being in the opposition, the pressure gets turned on them, and then there's one editor - he was physically attacked, so this kind of action is going on now.

VLADIMIR PUTIN: This isn't good, of course, on the contrary, it is bad. But at the same time it is the reality of life in any country no doubt. Political battles of this kind show, for a start, that we do have an independent press, fortunately. Indeed, rumours that we no longer have a free press are very much exaggerated. But I must say that any form of mass media, any newspaper, television channel or radio station, all have to understand that the civil service in any country is, unfortunately, a fairly closed caste that tries to defend its uniform and its caste interests, so to speak, though it should above all be thinking about the interests of the citizens. But an independent press always runs up against the resistance of the authorities and it has to choose whether to overcome this resistance and remain independent, or whether to take the sops offered by the authorities, in which case it can forget about its independence. We at federal level are trying to ensure the independence of the press, including at regional level. We will do all we can for this, above all by creating the conditions to ensure economic independence.

GALINA RAIMOVA (Vash Lichny Internet): Can I ask another question or else I will have nothing to take back to the office.

VLADIMIR PUTIN: Yes, of course. That's quite something! We've been talking for three hours and fifteen minutes and you've got nothing to take back to the office! In other words, nothing intelligent has been said here at all? I can't help but feel offended.

GALINA RAIMOVA: No, plenty has been said but nothing has really been said yet specifically about the Russian Internet. In November 2005 in The Hague you said that Russia would not make any moves to limit freedom in the Internet, despite there being some problems in this area. Do you think that Russia should develop some civilised methods of regulating the Internet - methods that would not restrict freedom of speech - and who should be responsible for this?

VLADIMIR PUTIN: I think the situation here is the same as with the press.

The question here is one of freedom, not of freedom of the press but of quality, of restrictions of some kind. People should set their own internal restrictions. The Internet providers are people who are simply involved in business in this area. It is above all the people who actually use the Internet as a form of mass media who should work out the rules by which the Internet community should abide. After all, these users are themselves mothers and fathers or future mothers and fathers, and they should be the ones to think about, for example, the impact of, say, child pornography or other material in the Internet. They should think about themselves, about their future, about our country. We are not going to impose any draconian measures to restrict activity in the Internet.

BAIRMA RADNAYEVA (State Television and Radio Company Buryatia): I represent one Russia's calmest regions, a region where more than 100 different ethnic groups live together in peace and harmony. Many people think that this is not a result of any particular ethnic policy, but of our particular mentality - the aura of Lake Baikal. Since no one has yet asked what has become a traditional question at your previous press conferences, I will ask you now: when will you come to Buryatia, all the more so as you have not yet ever visited our region?

Also, I would like to congratulate you on the lunar New Year. Our multiethnic republic celebrated the New Year - the Year of the Red Dog - yesterday, and I would like to express my best wishes on behalf of everyone in Buryatia to you and your family.

VLADIMIR PUTIN: Thank you for these best wishes. I also would like to congratulate everyone who celebrates the lunar New Year, and I know that quite a few people in our country do so, including in Buryatia. Thank you very much for the invitation to visit your region. All my visits are connected to resolving this or that specific issue. I meet regularly with Buryatia's leadership, with the President, and although I have not been personally to Buryatia this does not mean that Buryatia's development problems are not getting enough attention. I am familiar with the problems in your region and know that there are still plenty of them, but at the same time I am grateful to the people of Buryatia, to the republic's leadership, for the interethnic and inter-religious harmony that you mentioned - and in this respect Buryatia really is a good example for the entire country - and also for the good pace of growth you achieved last year and for the caring attitude towards people. I know that problems exist and I know that there are also some negative examples, this is part of life and there is nothing unusual in this, but overall the republic is developing quite well. I can assure you that we will continue to pay all due attention to the development not only of Buryatia but also of all our country's regions, for only by uniting as one country and uniting the efforts of everyone, wherever they may live, can we effectively resolve the problems before us.

ANDREY DOBROV (Moskovia): My question is specific and quite serious: what is your view on the attempts by some businesses to get their hands on territory and buildings belonging to the Russian Orthodox Church? I am referring to the case in Sokolniki where the Patriarch's residence is to be turned into a casino.

Thank you.

VLADIMIR PUTIN: I don't see anything good in this. I believe that business, and all the more so the gambling business, even if it is growing fast and making good profits, should be sensitive to the feelings of religious believers and not make use of this or that facility for the sake of pursuing their business goals, all the more so when we're talking about the gambling business. This is a subject where sensitivity and restraint are needed in general. The centuries of our country's history have seen a particular culture of interaction between different religious and ethnic groups emerge. In this respect we have a unique experience, a greater and better experience than in any other country, and we should use this experience to ensure that every individual, no matter what their religion and ethnic background, feels that Russia is their homeland and can be proud of and treasure the fact that they were born, raised and live in Russia. This concerns religious and ethnic feelings.

Concerning the Orthodox Church, we know that this is not the only such case and that there have been even worse excesses. But this is a problem that affects not only Christians and not only in our country. Look at Denmark, for example, where now we have this case of these awful caricatures that insult the feelings of Muslims. I recall that the Danish leadership provided support to certain extremist currents on its territory, including those specialising in anti-Russian activity. And now they are essentially encouraging those who insult the religious feelings of others. This kind of inconsistency does not lead to any good at all.

I see on the one hand the Danish diplomats' statements apologising for what happened in Denmark, and on the other hand the opinion voiced by the country's political leadership that, under the cover of pseudo-democratic slogans of freedom of the press is attempting to defend those who offend the feelings of Muslims. This kind of inconsistency is not a policy that can lead to a dialogue between civilisations in general and it cannot be an example for our country. We will strive to ensure that peoples' religious feelings are respected. And I hope that the business community will realise how important this or that decision is not only for the sake of making profit but also for creating the conditions for business to function effectively in Russia. (Applause).

ELLINA BILEVSKAYA (Moskovsky Komsomolets - Zapolyarye, Murmansk): Mr President, I would like to ask about the Shtokman deposit - when will work begin on its development and what volume of investment will our region see as a result? Also, what does Gazprom stand to gain from entering major projects in the North Sea? We know that talks are currently underway with Norwegian companies. One more question for you personally: would you be willing to go into big business and head Gazprom once your term in office comes to an end?

VLADIMIR PUTIN: Thank you for the job offer. I hardly see myself heading any business organisation - I don't see myself as a businessman either in temperament or in terms of my life experience.

As for the Shtokman deposit, it is a huge deposit and I have already spoken about its potential. The Yuzhno-Russkoye deposit represents around 22 billion-25 billion cubic

metres of gas a year, and we plan to pump this gas through the North-European gas pipeline. The Shtokman deposit represents 90 billion cubic metres of gas a year for the next 50-70 years. It is a huge deposit. Gazprom has chosen four companies with whom it will work further - four or five companies, two Norwegian companies, a French company and two U.S. companies - five companies. The company will decide its own work strategy for developing the Shtokman deposit. This strategy has to be in keeping above all with Russia's national interests, and of course we also have to ensure that we can make our contribution to stability on the world energy markets. Thank you all very much for your attention. (Applause.)