

News Conference of Vladimir Putin: Enhanced Capabilities of Armed Forces. Careful Management of Gold and Currency Reserves

By [Pres. Vladimir Putin](#)

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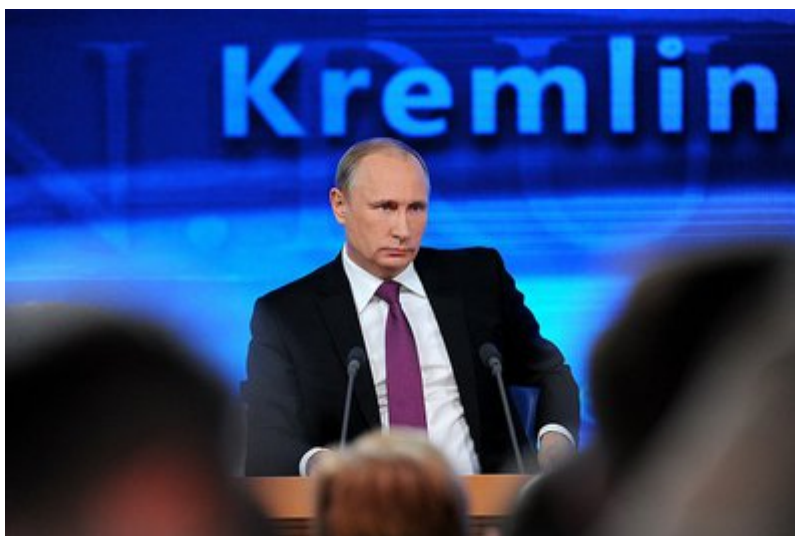
The President's news conference was broadcast live by Channel One, Rossiya-1 and Rossiya-24 TV channels, and by the Radio Rossii, Mayak and Vesti FM radio stations. 1259 Russian and foreign journalists have been accredited to cover the news conference.

PRESIDENT OF RUSSIA VLADIMIR PUTIN: Good afternoon, colleagues.

I am very happy to see you in high spirits. As we did last time, I will begin by briefing you on the work done during the year and then I will try to answer your questions.

First the most important thing: the economic performance. In the first 10 months of this year, the gross domestic product grew by 0.7 percent, and the final figure may be around 0.6 percent. My colleagues and I met yesterday to finalise the figures. The trade surplus grew by \$13.3 billion to reach \$148.4 billion.

Industrial production picked up some speed after last year's lull. In the first 10 months of the year, it went up by 1.7 percent. Unemployment is also low: at times, it dropped to below 5 percent, and now it is around 5 percent, possibly 5.1 percent.



The agroindustrial complex is developing. I believe that by the end of the year growth there will amount to 3.3 percent. As you may know, this year we had a record crop of 104 million tonnes.

Despite the turbulent situation on the financial market, the federal budget this year will show a surplus. In other words, revenue will exceed expenses by 1.2 trillion rubles [over \$20 billion], which is about 1.9 percent of the GDP. The Finance Ministry is still working on the final calculations, but the surplus is definite.

The main achievement of the year in the social sphere is of course the positive demographics.

Natural population growth in the first 10 months of the year was 37,100 people. The death rate is going down in this country, while the birth rate is increasing. This is a very good trend and we must make every effort to maintain it. As promised, we continued adjusting the maternity capital. In 2014 it amounted to 429,408.5 rubles.

We have met and exceeded the targets set for this year for salary rates for ten workforce categories. I am sure you know what I am talking about. First of all, these are teachers at schools and institutions providing supplementary education, counsellors, university faculty members, medical doctors, paramedics and nurses, and employees of cultural institutions. In 2014, we adjusted pensions to inflation twice: by 6.5 percent on February 1 and by an additional 1.7 percent on April 1.

We gave significant attention this year to enhancing the combat capability and efficiency of the Armed Forces. I will not go into detail here. I would only like to mention the social sphere. In 2014, 11,700 Defence Ministry servicemen received permanent housing and 15,300 received service housing. This is 100 percent of the year's target figures.

These are the numbers I wanted to begin with. Now a few words regarding the current situation. I believe we all know that the main issue of concern to this country's citizens is the state of the economy, the national currency and how all this could influence developments in the social sphere. I will try to briefly describe this situation and say how I expect it to develop. Basically, that is where we could end this news conference. (Laughter) However, if you have any further questions I will try to answer them.

The current situation was obviously provoked primarily by external factors. However, we proceed from the view that we have failed to achieve many of the things that were planned and that needed to be done to diversify the economy over the past 20 years. This was not easy, if at all possible, given the foreign economic situation, which was favourable in the sense that businesses were investing into areas that guaranteed maximum and fast profits. This mechanism is not easy to change.

Now, as you may know, the situation has changed under the influence of certain foreign economic factors, primarily the price of energy resources, of oil and consequently of gas as well. I believe the Government and the Central Bank are taking appropriate measures in this situation. We could question the timeliness or the quality of the measures taken by the Government and the Central Bank, but generally, they are acting adequately and moving in the right direction.

I [think] that yesterday's and today's drop in the foreign currency exchange rate and growth of our national currency, the ruble, will continue. Is this possible? It is. Could oil prices continue falling and would this influence our national currency and consequently all the other economic indexes, including inflation? Yes, this is possible.

What do we intend to do about this? We intend to use the measures we applied, and rather successfully, back in 2008. In this case, we will need to focus on assistance to those people who really need it and on retaining – this is something I would like to highlight – retaining all our social targets and plans. This primarily concerns pensions and public sector salaries, and so forth.

Clearly, we would have to adjust our plans in case of any unfavourable developments. We would certainly be forced to make some cuts. However, it is equally certain – and I would like to stress this – that there will be what experts call a positive rebound. Further growth and a resolution of this situation are inevitable for at least two reasons. One is that the global economy will continue to grow, the rates may be lower, but the positive trend is sure to continue. The economy will grow, and our economy will come out of this situation.

How long will this take? In a worst-case scenario, I believe it would take a couple of years. I repeat: after that, growth is inevitable, due to a changing foreign economic situation among other things. A growing world economy will require additional energy resources. However, by that time I have no doubt that we will be able to do a great deal to diversify our economy, because life itself will force us to do it. There is no other way we could function.

Therefore, overall, I repeat, we will undoubtedly comply with all our social commitments using the existing reserves. Fortunately, this year they have even grown.

I would like to remind you that Central Bank reserves amount to \$419 billion. The Central Bank does not intend to ‘burn’ them all senselessly, which is right. The Government reserve, the National Wealth Fund, the Reserve Fund have grown this year by about 2.4-2.5 trillion rubles to a total 8.4 trillion rubles. With these reserves I am certain we can work calmly to resolve our main social issues and to diversify the economy; and I will repeat that inevitably the situation will return to normal.

I would like to end my introductory remarks here. As I have said, we could end the whole news conference here, but if you do have any questions, I am ready to answer them.

PRESIDENTIAL PRESS-SECRETARY DMITRY PESKOV: This year I would like to begin with those who have been working with the President throughout the year – the Kremlin press pool. First I would like to give the floor to the dean of the Kremlin press pool Vyacheslav Terekhov, who has been working with Mr Putin for many years and who travels to all the remote parts of the world and all the cities and towns of this country. Mr Terekhov, please.

VLADIMIR PUTIN: This is what they call nepotism.

VYACHESLAV TEREKHOV, INTERFAX: But I’ve got an interesting job.

There is something I would like to clarify, Mr President. Judging by the situation in the country, we are in the midst of a deep currency crisis, one that even Central Bank employees say they could not have foreseen in their worst nightmares.

Do you believe that things will get better in two years, as you mentioned, and we will recover from this financial and economic crisis? Criticism was piled on the Government and the Central Bank for the ruble’s Black Monday and Tuesday. Do you agree with this criticism?

Thank you.

VLADIMIR PUTIN: I said that given the most unfavourable foreign economic situation this could last (approximately, because no one can say for certain) for about two years. However, it may not last that long and the situation could take a turn for the better sooner. It could improve in the first or second quarter of next year, by the middle of next year, or by its end.

Nobody can tell. There are many uncertain factors. Therefore, you could call it a crisis or something else, you can decide which word to use. However, I believe I made it quite clear that the Central Bank and the Government are generally taking appropriate measures in this situation. I believe some things could have been done sooner, and this is actually what the expert community are criticising them for.

What does the job involve, in my view? And what are the Central Bank and the Government actually doing? First, as you may know, they raised the key interest rate. I hope the rate will remain for the duration of these complicated developments connected with the foreign economic situation, and the economy will adjust one way or another.

What is the basis for my optimism? The idea that the economy is bound to adjust to life and work in conditions of low prices on energy resources. This will become a fact of life.

How soon will the economy adapt if the prices remain at the current level or even go below 60 [USD/barrel], 40, or whatever? For us it could be any figure, the economy would simply have to get structured. How fast will this happen? This is hard to say. But it is inevitable. I would like to highlight this. This will be a fact of life.

What is the Central Bank doing? They have raised the key interest rate. What else do they need to do? And what are they already doing? To stabilise the national currency they need to somewhat limit ruble liquidity and give economic entities access to foreign currency liquidity. This is exactly what the Bank is doing. Their foreign currency interest rate is quite low – 0.5.

Overall, I think it is up to the Central Bank to decide whether to reduce the interest rate or not, they should see and react accordingly. They should not hand out our gold and foreign currency reserves or burn them on the market, but provide lending resources. And they are doing this as well.

The so-called repo is a well-known instrument here. They can be offered for a day, a week, 28 days, almost a month, or for a year. This is money that is returned, but it gives economic entities the opportunity to make use of the foreign currency. Everything is being done right.

They should probably move at least half a pace faster. Of course, I see the criticism levelled at the Central Bank and its Governor. Some of it is justified, some is not. The Government should also bear responsibility. They should work with exporters who have sufficiently high foreign currency revenues.

The Prime Minister met with heads of our major companies and we can see some results. Many of them have to return their loans and think of the condition their companies are in.

Every company, just like every individual, tries to save 'for a rainy day'. Is such behaviour economically justified? In terms of economic logic, it is not. Nevertheless, companies do it, and we now see a certain result, the 'rebound' is happening.

The Government should be taking other measures as well. What do I mean? For instance, combatting inflation is of course the Central Bank's job. However, there are things that we have mentioned already, things I spoke of in public during our meetings with the Government.

For instance, the prices of petrol and food are something they should work on. Moreover, the current situation, whatever anyone says, requires a 'hands on' approach. They have to meet with producers, those who are on the market, with retailers and with the oil companies that have significantly monopolised the market. The Federal Antimonopoly Service should function properly.

These actions have to be joint and reasonable, though without any violation of the individual competence of, say, the Central Bank or the Government. Nevertheless, they should coordinate their actions, and do so in a timely fashion.

Therefore, they can criticise Nabiullina [Central Bank Governor] all they like, but one should bear in mind that overall their policy is right. The Central Bank is not the only one responsible for the economic situation in the country.

DMITRY PESKOV: Another presidential press pool old-timer, Alexander Gamov of the Komsomolskaya Pravda. Is there anything you would like to ask?

ALEXANDER GAMOV, KOMSOMOLSKAYA PRAVDA NEWSPAPER: First, I have something to say. Mr President, I believe many people were looking forward to seeing you here at this news conference. Many were trying to predict your mood, because this would largely set the mood for the entire country. You are here, and you already smiled several times, so thank you for your optimism. We hope everything will happen just the way you said it would.

Over to my questions. Since 2008, we have been talking about the need to get rid of our oil addiction and restructure our economy to make it more efficient. However, the developments of the past few days have shown that we did not manage to achieve this.

We are still addicted, and nobody knows how long this will last. Could you say openly what you personally think: will we be able to use this crisis for to our advantage, lose our addiction and rebuild the economy? I realise that this would take time.

And my second point. In your Address to the Federal Assembly, you named, to the welcoming applause of the country and the business community, a whole list of concessions that have long been suggesting themselves. However, there is the danger in Russia, as you well know, that all important and useful resolutions, including presidential ones, get lost in the excessive red tape and general slack.

Are you confident that this time your statements, your resolutions will be implemented and your optimism will be supported with real action?

VLADIMIR PUTIN: As we all know, only an insurance policy can give you confidence. The main insurance for us here is the right macroeconomic policy and reserve funds for resolving social issues. This is the kind of insurance policy that would give us confidence.

As for excessive red tape, I can say this: there must be some people from the European Union here. If you ask them about red tape in Brussels, they will tell you all about it. Our

bureaucracy is child's play compared to theirs.

The problem does exist, however, and it is not about red tape. Do you know what it is? I said at the very start that I would say a few things and we might as well end the news conference. It looks like that was no joke.

This is not about decisions getting bogged down in red tape. It is about the foreign economic situation forcing economic entities to invest, say, in energy resources, the chemical industry or metals. So regardless of all the Government's attempts to fine-tune the instruments of taxation and benefits for businesses that are not involved with raw materials, this is a very complicated process, because the budget does not usually have the required funds.

We have been using all these instruments for several years already. We are trying to create more favourable conditions for the development of production, but it is moving forward with difficulty. Especially when one can make large profits by investing in energy resources. As you may know, at least 80 percent of all applications to the Government (believe me, this is true) have to do with getting access to some field rather than investing in some high technology area. Why is this? Because the returns there are fast and big.

I am coming to your question. If the situation changes, then life itself will force us to invest in other industries. And this gives me optimism, strange as it might seem. True, in some ways it would be more difficult. True, we would have to resolve social issues at any cost and meet the targets set in the social section of the 2012 Presidential Executive Orders.

Can we do it? Yes, we can. However, at the same time we need to make use of the current situation to create additional conditions for developing production and economic diversification. I hope that the current state of affairs will make this possible.

ANDREI KOLESNIKOV, KOMMERSANT NEWSPAPER: Mr President, in early 2012 in one of your pre-election articles that were later documented as Executive Orders of May 2012, as we all know, while describing the situation at the time you quoted Alexander Gorchakov [19th century Russian diplomat]. You said, "Russia is concentrating."

Can you say what is happening to the country now? What is it doing? Is it still concentrating, or maybe the time has come to de-concentrate, to finally relax?

VLADIMIR PUTIN: We must work. Little has changed in this sense. Moreover, the current conditions are pushing us to move forward. I keep tackling it from different perspectives, and I see you and your colleagues keep raising the same issue. We must work, and the external conditions are forcing us to become more efficient and to shift to innovative development.

What does the future of our economy require? We have to create favourable conditions for business, to ensure freedom of entrepreneurship, we need to guarantee ownership rights, to stop using law enforcement agencies to chase those we do not like and use those instruments for competition. We need more benefits for production facilities; we need to develop those regions of the Russian Federation that require special attention, like the Far East.

Are we doing this? We are. However, in my Address I spoke of an entire programme of action. I am referring here to 4-year tax holidays, to 3-year inspection holidays for those

companies that have no record of any serious violations, to benefits for small businesses. We must carry on with the concentration and support it with real efforts.

VLADIMIR KONDRATYEV, NTV TELEVISION COMPANY: Mr President, we recently marked the 25th anniversary of the fall of the Berlin Wall. You witnessed the event when you were still working in the German Democratic Republic. A lot has been achieved, perhaps not exactly what we hoped for, and we had great hopes, but there have been certain achievements. It was thanks to your persistence that Russia was once close to a visa-free travel agreement with Europe.

In this anniversary year, a new wall appeared within a matter of weeks. It is not made of concrete, but it is no less obvious, a wall of alienation, suspicion, mutual mistrust and mutual reproaches. Where can this cooling lead us? Some go as far as speaking of the beginning of a new Cold War. Will we be living in a divided world or is there any possibility to resume dialogue and cooperation?

VLADIMIR PUTIN: You just said the Berlin Wall fell, but some new walls are being put up now. I will respond, and I hope you will agree with me.

It is not now that this happened. You are an expert on Germany and on Europe. Didn't they tell us after the fall of the Berlin Wall that NATO would not expand eastwards? However, the expansion started immediately. There were two waves of expansion. Is that not a wall? True, it is a virtual wall, but it was coming up. What about the anti-missile defence system next to our borders? Is that not a wall?

You see, nobody has ever stopped. This is the main issue of current international relations. Our partners never stopped. They decided they were the winners, they were an empire, while all the others were their vassals, and they needed to put the squeeze on them. I said the same in my Address [to the Federal Assembly]. This is the problem. They never stopped building walls, despite all our attempts at working together without any dividing lines in Europe and the world at large.

I believe that our tough stand on certain critical situations, including that in the Ukraine, should send a message to our partners that the best thing to do is to stop building walls and to start building a common humanitarian space of security and economic freedom.

Since I have mentioned Ukraine, I have to give the floor to our colleagues from Ukraine. Go ahead, please.

ROMAN TSYMBALYUK, UKRAINIAN NEWS AGENCY UNIAN: I have two short questions, if I may.

VLADIMIR PUTIN: Go ahead, please.

ROMAN TSYMBALYUK: My first question concerns the punitive operation you have launched in eastern Ukraine, which is mostly spearheaded against Russian speakers. It's an open secret that it is Russian servicemen and Russian militants who are fighting there. Question: How many Russian servicemen and units of equipment have you sent there, and how many of them have been killed in Ukraine? What would you as the Commander-in-Chief say to the families of the Russian servicemen and officers killed there?

And my second short question, if I may. We had a president called Viktor, who is now hiding in Russia. He had imprisoned the number one on the Batkivshchyna list, Yulia Tymoshenko. She has been released, but now the current number one on the party list is in prison, this time in Russia...

VLADIMIR PUTIN: What? Say it again please?

ROMAN TSYMBALYUK: The number one on the list of Yulia Tymoshenko's party, Batkivshchyna, is currently in a Russian prison. I have a question: On what conditions will you release Ukrainian pilot Savchenko, Ukrainian film director Oleg Sentsov and at least 30 Ukrainian prisoners of war whom you are keeping in various prisons in Russia? Thank you.

VLADIMIR PUTIN: Let's begin with the second question, and then I will certainly answer your first question.

The question about Ukrainian citizen Savchenko and the conditions for her release. I have an open and, as far as I can see, a clear position on this issue. You can see in this audience the colleagues of our journalists – they are also your colleagues – who have died in the line of duty in southeast Ukraine. I want to stress that they did not take part in fighting for any of the sides, and they were unarmed. It is the duty of all state agencies, including the military ones, to protect their lives and health and to give them an opportunity to do their professional duty which is to provide objective and full information, at least as they see it. It is a fact that has been recognised in the civilised world. They have been killed. According to our law enforcement agencies, Ms Savchenko called in artillery fire via radio. If it is reliably established during the pretrial investigation and the subsequent trial that she was not involved and is not guilty, she will be released immediately. But if they prove that she was indeed involved in the journalists' murder, a Russian court will issue a proper ruling, as I see it, and she will serve her sentence in accordance with the verdict. However, no one has the right to hold anyone guilty of a crime on account. I mean that Russian legislation includes the presumption of innocence. So we'll see how the pretrial investigation proceeds, and what conclusions the Russian court will make.

As for the other servicemen you have mentioned, we don't consider them prisoners of war. They are in detainment in Russia, and they are being investigated on suspicion of involvement in terrorist activity. This is all I can say on your second question.

Now to the first question, about responsibility. In Russia, like in any other presidential republic, it is the president who is responsible for everything. And responsibility for military personnel rests with the Commander-in-Chief. Let me remind you that in Russia this is one and the same person.

All those who are following their heart and are fulfilling their duty by voluntarily taking part in hostilities, including in southeast Ukraine, are not mercenaries, since they are not paid for what they do.

Russian public opinion holds that what is now happening in southeast Ukraine is actually a punitive operation, but it is conducted by the Kiev authorities and not the other way around. The self-defence fighters of the southeast were not the ones who sent troops to Kiev. On the contrary, the Kiev authorities amassed their military forces in the southeast of Ukraine, and are using multiple rocket launchers, artillery and fighter jets.

What is the problem here and how it can be solved? I'll try to answer this question as well. The problem is that after the government coup (and no matter how others call it and what is being said in this respect, a government coup was carried out in Kiev by military means) part of the country did not agree with these developments.

Instead of at least trying to engage in dialogue with them, Kiev started by sending law enforcers, the police force, but when that didn't work out, they sent in the army, and since that didn't work out either, they are now trying to settle the issue by using other forceful methods, the economic blockade.

I believe that this path has absolutely no future whatsoever and is detrimental to Ukraine's statehood and its people. I hope that by engaging in dialogue – and we are ready to assume the role of intermediaries in this respect – we will succeed in establishing a direct, political dialogue, and by employing such methods and political instruments we will reach a settlement and restore a single political space.

ANTON VERNITSKY, CHANNEL ONE RUSSIA: Mr President, are the current economic developments the price we have to pay for Crimea? Maybe the time has come to acknowledge it?

VLADIMIR PUTIN: No. This is not the price we have to pay for Crimea... This is actually the price we have to pay for our natural aspiration to preserve ourselves as a nation, as a civilisation, as a state. And here is why.

As I've already mentioned when answering a question from your NTV colleague, and as I've said during my Address to the Federal Assembly, after the fall of the Berlin Wall and the breakup of the Soviet Union, Russia opened itself to our partners. What did we see? A direct and fully-fledged support of terrorism in North Caucasus. They directly supported terrorism, you understand? Is that what partners usually do? I won't go into details on that, but this is an established fact. And everyone knows it.

On any issue, no matter what we do, we always run into challenges, objections and opposition. Let me remind you about the preparations for the 2014 Olympics, our inspiration and enthusiasm to organise a festive event not only for Russian sports fans, but for sports fans all over the world. However, and this is an evident truth, unprecedented and clearly orchestrated attempts were made to discredit our efforts to organise and host the Olympics. This is an undeniable fact! Who needs to do so and for what reason? And so on and so forth.

You know, at the Valdai [International Discussion] Club I gave an example of our most recognisable symbol. It is a bear protecting his taiga. You see, if we continue the analogy, sometimes I think that maybe it would be best if our bear just sat still. Maybe he should stop chasing pigs and boars around the taiga but start picking berries and eating honey. Maybe then he will be left alone. But no, he won't be! Because someone will always try to chain him up. As soon as he's chained they will tear out his teeth and claws. In this analogy, I am referring to the power of nuclear deterrence. As soon as – God forbid – it happens and they no longer need the bear, the taiga will be taken over.

We have heard it even from high-level officials that it is unfair that the whole of Siberia with its immense resources belongs to Russia in its entirety. Why exactly is it unfair? So it is fair to snatch Texas from Mexico but it is unfair that we are working on our own land – no, we have to share.

And then, when all the teeth and claws are torn out, the bear will be of no use at all. Perhaps they'll stuff it and that's all.

So, it is not about Crimea but about us protecting our independence, our sovereignty and our right to exist. That is what we should all realise.

If we believe that one of the current problems – including in the economy as a result of the sanctions – is crucial... And it is so because out of all the problems the sanctions take up about 25 to 30 percent. But we must decide whether we want to keep going and fight, change our economy – for the better, by the way, because we can use the current situation to our own advantage – and be more independent, go through all this or we want our skin to hang on the wall. This is the choice we need to make and it has nothing to do with Crimea at all.

YEVGENY ROZHKOV, VESTI ROSSIYA-1 CHANNEL: Good afternoon, Mr President.

First of all, the Crimea issue is more or less clear. The only question perhaps is how much we will have to eventually invest in its development after the difficult Ukrainian past. The most urgent question for me is about eastern Ukraine, which is now calling itself Novorossiya. How do you see the future of that part of Ukraine? Do you believe in the success of the Minsk agreements? Do you think they will help reconciliation? And how are we going to further help Donbass? Will it be humanitarian aid, as it is now, or something else?

VLADIMIR PUTIN: I think I answered a part of your question in my response to your Ukrainian colleague. We assume that the crisis will be resolved sooner or later. The sooner the better, of course. This is the first point.

Second, it should be addressed and settled by political means, and not through pressure, no matter what type of pressure, whether an economic blockade or the use of armed force. And, of course, we will help the people, as we are doing now (as you may know, a tenth humanitarian convoy has been sent). After all, we should proceed from the fundamental principles of international law and from people's right to decide their fate on their own.

It was not by chance that I... It's not just a casual phrase, when I said that peace should be restored and problems should be resolved by political means. We proceed from the assumption that a common political space will be restored. It's hard to say at this point what it would look like, but I think we should strive for this. The problem is, however, that both sides need to strive for this. Both! And people living in Ukraine's southeast should be respected. Economic ties should be restored.

It is a fact that much of Ukraine's power industry burns Donbass coal, but up until now they aren't buying this coal. We were asked to influence Ukraine's southeast, Donbass, to make the miners agree to supply coal. We did that, but they are not buying it. Why? Because they've closed all the banks and are unable to make payments. Our colleagues told me yesterday: We are ready to pay and have transferred a prepayment. I've made inquiries and found that there is no prepayment. They allegedly wired the money to the miners' bank cards, but the cards are not working! And this is how it is with each issue. Nevertheless, there is no other way but a peace settlement.

As far as the Minsk agreements are concerned, it's a very important part of this, and we

want them to be complied with because, first, the initiative for the Minsk meeting came from me and from Petro Poroshenko. I have no doubt that he is striving for this. But he is not the only one over there. We have been hearing statements from other officials, who advocate basically a war to the end. The implication is that all of this is likely to lead to a continental crisis. We hear many bellicose statements. I still think that President Poroshenko is oriented towards settlement. But concrete actions and steps are needed.

Should the Minsk agreements be implemented or shouldn't they? Yes they should! Let me repeat: I was one of those who initiated them and we... I'll say an important thing. Look, I'd like everyone to hear this. Our representatives in Minsk signed a memorandum in September and there were protocols to it that defined the disengagement line. The representatives of Donetsk didn't sign those protocols. That's the problem. They said at the very start: We can't.

When we tried to insist – I'll be frank with you about this, since the public needs to know these things – they told us that they can't leave these villages (there were three or four disputed villages), because their families live there, and they can't risk their children, wives and sisters being killed or raped. This is the most important thing. However, the Ukrainian officials did not withdraw their troops from the areas that they were supposed to leave, such as the Donetsk Airport, either. They're staying there.

Are you aware of the latest developments? The self-defence forces allowed them to rotate their troops at the airport. They took them to a bathhouse and sent them some food. This may well put a smile on your faces, but, on the other hand, this is a positive development. Perhaps, in the end, people will be able to agree on things among themselves. Everyone is insisting on exchanging prisoners of war. I believe that they should all be exchanged unconditionally. But life is more complicated than that. When these lists became available, it turned out (in any case, that's what the Donbass self-defence fighters told us), that the lists from Ukraine include people who have been detained not in connection with the hostilities in southeastern Ukraine, but somewhere in Kherson or Odessa. These lists must be checked. Nonetheless, we insist and I believe that we need to get these people back home to their families for the New Year or Christmas, regardless of all other circumstances.

Yesterday, they agreed to exchange 30 people. Representatives of the self-defence forces went to the exchange location, and a representative of the Kiev authorities said, "No, we are not going to proceed with the exchange until the next meeting in Minsk." Well, you can do that, of course, but it would be nice if they could let go at least 30 people ... But these are details. Anyway, it would be a positive move, including in terms of implementing the Minsk agreements, which is an important and necessary process.

An agreement was reached to hold a video conference today or tomorrow. First, there will be a dialogue during this videoconference, but the next step should be made at a meeting in Minsk. There's another important thing. It's essential for the Kiev authorities to keep their end of the bargain. There was an agreement on adopting an amnesty law. It is nowhere to be seen. They keep telling us that a law on special status was passed, but it couldn't be implemented, this law, do you understand that? Because the law could come into force and actually become effective only after the other law had been adopted – about the disengagement line. It has not been adopted so far. This compilation has to stop. If Ukraine wants to restore peace, tranquillity and its territorial integrity, the people who live in certain regions of the country must be respected and a straight, open, and honest political dialogue must be maintained with them. It must be a political dialogue without any pressure. I hope

that in the end everyone will go down that path.

VERONIKA ROMANENKOVA, TASS: Thank you. This year, it became clear that energy diplomacy has become a key factor in geopolitics. How justified is Russia's turning to the East and the gas contracts it has signed with China and Turkey?

Have all the pitfalls of these projects been considered? Many still doubt that the Chinese contract will be profitable, while the potential Turkish Stream will leave Russia dependent on Turkey. Do you have anything to say here?

VLADIMIR PUTIN: No, I don't. These things are so obvious that it would be impossible to argue. I often hear comments about Russia's turn towards the East. Now, if you read American analysts, they also write about the United States' turn towards the East. Is this true? Partly, yes. Why? Is this political? No. This stems from the global economic processes, because the East - that is, the Asia-Pacific Region - shows faster growth than the rest of the world. New opportunities open up. As for energy, the demand for resources is racing in leaps and bounds in China, India, as well as in Japan and South Korea. Everything is developing faster there than in other places. So should we turn down our chance? The projects we are working on were planned long ago, even before the most recent problems occurred in the global or Russian economy. We are simply implementing our long-time plans.

About the Chinese contract - it is *not* a loss-making project. It enjoys privileges on both sides - on *both* sides, I must stress. This is true. China offered some benefits as well. I will not go into details right now - these benefits aren't extraordinary or anything; the Chinese government simply decided to provide some support to the project participants. We, in turn, agreed to do the same. So the project definitely became profitable. Definitely.

Moreover, we have agreed on a pricing formula, which is not much different - if at all - from the one applied to our European contracts, except for the specific regional market coefficients. This is regular practice. In addition, it will help Russia, which will receive and accumulate gigantic resources at the project's initial stage, to begin connecting our Far Eastern regions to the gas distribution grids, not just to export gas through the pipeline. This will allow us to make the next - a very important - step. We will be able to link together the western and eastern gas pipeline systems and promptly rechannel resources back and forth when needed, depending on the international market. This is very important. Without it, we would never be able to connect Eastern Siberia and the Far East to the gas distribution system. So this project holds many potential benefits. Not to mention that it is a huge construction site that will create jobs and generate tax income at every level, and revive Russia's Far East and the entire region.

About Turkey. The Turkish economy is also growing and requires additional energy resources as much as the APR. We built the so-called Blue Stream pipeline many years ago, and now our Turkish partners are considering increasing the supplies to the Turkish market. Should we refuse?

We have reached all the key agreements with them, which cover the pricing formula, supply schedule and other aspects. We more or less understand their requirements, and we will certainly sell them what we have and what they need. Of course, we will do this.

Will a so-called European hub be built on the border of Turkey and Greece? This is not for us to decide. The decision largely depends on our European partners: Do they want stable,

guaranteed and absolutely transparent energy supply from Russia, which they badly need, without any transit risks? Great! Then we'll start working, and the pipeline would reach Macedonia via Greece, go on to Serbia and to Baumgartner in Austria. If they don't want this, we won't do it. The thing is that there is no cheaper and more reliable supplier than Russia, and there won't be any in the near future.

GRIGORY DUBOVITSKY, RIA NOVOSTI: Mr President, I'd like to go back to the situation on the currency market, which changes from one day to another and is a great concern for millions of Russians. Many experts, including you, Mr President, have said the current situation could be blamed also on currency profiteers. Concrete companies and individuals have been named. Can you give us those names? Are they Russians or foreigners? And why can't they be stopped? Are they too strong? Or are we too weak?

I have a second question on the same subject, **if I may. Do the Central Bank and the Government plan to peg or devalue the ruble?**

VLADIMIR PUTIN: This is what our Ukrainian partners did, quite unsuccessfully. Are you asking if we plan to force our companies, our main exporters, who receive revenues in foreign currency, to sell it? They would just buy it back the next day, as it happened in Kiev and as it happens in other countries.

The next step in this case should be to set a limit on the purchase of foreign currency on the domestic market. We won't go this far, and so the Central Bank and the Government are not planning, quite correctly as far as I see it, to limit our exporters in this field.

This doesn't mean, though, that the Government should not act through its representatives on company boards. After all, these are our largest energy companies. They are partly state-owned, which means that we can influence their policies, but without issuing any directives or restrictions. This we won't do.

As for the so-called profiteers, **it is not a crime to play on the currency market. These market players can be foreigners or various funds, which are present on the Russian market and have been operating quite actively there. Or they can be Russian companies. Overall, as I said at the beginning of this meeting, this is an accepted practice in a market economy. Profiteers always appear when there is a chance to make some money.**

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