

## **Full text of Vladimir Putin's interview to the international media company Bloomberg**

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*The interview was recorded on September 1, 2016, in Vladivostok.*

**John Micklethwait:** Mr President, thank you very much for speaking to Bloomberg. Here in Vladivostok we're on the edge of the Pacific and on the eve of the second Eastern Economic forum. What do you hope to achieve at it?

**President of Russia Vladimir Putin:** We would like to draw the attention of our partners, of potential investors to the Russian Far East. In this sense, the Forum as an event is similar to other regional forums of this kind. Russia hosts a lot of such forums, including the International Economic Forum in St Petersburg, (usually in the beginning of summer), as well as the Economic Forum in Sochi.

The Far East is of particular significance for us in terms of this region's priority development. Over the last few years, let us say even over the last decades, we were faced with many problems here. We paid little attention to this territory although it deserves a lot more of it, because it concentrates great wealth as well as opportunities for Russia's future development. Not only for Russia alone, but also for the development of the entire Asia-Pacific region (APR), because this land is very rich in natural and mineral resources.

When we talk about the Far East we usually mean the Far East itself, including Primorye Territory, Khabarovsk Territory, Kamchatka, and Chukotka, as well as Eastern Siberia. All this area contains tremendous resources, including oil and gas, 90 percent of Russian tin, 30 percent of Russian gold, 35 percent of forest, 70 percent of Russia's fish is harvested in the local waters.

This is a region with a substantially developed transport and railroad infrastructure. In recent years we have been actively developing road connection. There is also a huge potential for developing the aviation and space industries. As you might have noticed we have launched a new Russian spaceport in one of the Far Eastern regions. As I have already said, the aviation industry, including combat air force, has been traditionally developing here. It is the Russian Far East where the SU aircraft, which are well known worldwide, are manufactured.

Finally, we are resuming the manufacturing of sea vessels here, first of all for civilian purposes. Just earlier today I witnessed the commissioning of one of the most promising sites of this kind.

And this is also a good opportunity for humanitarian exchanges with our neighbours. Our intention is to develop music, theatre and exhibition activities here. Just recently Mr Gergiev, a distinguished Russian musician and conductor, held his concerts here. We are going to set up a branch of the St Petersburg Mariinsky Theatre here. We are also planning to open local branches of the Hermitage Museum and the Vaganova Academy of Russian Ballet.

As you can see, we are now present in the building of the Far Eastern Federal University. I am sure you too have had a chance to assess the size of the University – the number of foreign students studying here is already in the thousands; there is also a great number of foreign professors. We would like to see science and higher education developing here, so that it could become one of the major research centres in the entire APR system. Undoubtedly a lot remains to be done here, but given the labour market demand, the relevance of such a university is undeniable.

In addition to everything that I have already mentioned, there is another domain that we consider relevant and having good prospects – marine biology. For many years this region has been home for one of the leading institutes of the Russian Academy of Sciences, the Institute of Marine Biology. You know, we are launching a new centre here; we have built an oceanarium on its premises, which is supposed to be not only a public place where people, I am sure, will enjoy the wildlife, but also part of the Institute of Marine Biology. A very interesting and promising cluster has formed here, and we would be happy if our potential investors, our counterparts from abroad, first of all those from the Asia-Pacific region, knew more about it.

**John Micklethwait:** One of the guests who have coming is Shinzo Abe. There seem to be the beginning of a political deal: you might give up one of the Kuril Islands in exchange for greater economic cooperation? Are you opened to a deal of that sort?

**Vladimir Putin:** We do not trade territories although concluding a peace treaty with Japan is certainly a key issue and we would like to find a solution to this problem together with our Japanese friends. Back in 1956, we signed a treaty and surprisingly it was ratified both by the Supreme Soviet of the Soviet Union and the Japanese Parliament. But then Japan refused to implement it and after that the Soviet Union also, so to say, nullified all the agreements reached within the framework of the treaty.

Some years ago our Japanese counterparts asked us to resume the discussions of the issue and so we did meeting them halfway. Over the passed couple of years the contacts were practically frozen on the initiative of the Japanese side, not ours. At the same time, presently our partners have expressed their eagerness to resume discussions on this issue. It has nothing to do with any kind of exchange or sale. It is about the search for a solution when neither party would be at a disadvantage, when neither party would perceive itself as conquered or defeated.

**John Micklethwait:** Are you as close to a deal now as you have been since the 1960s? Is it better now than any time since then?

**Vladimir Putin:** I don't think that we are closer than in 1956 but anyway we have resumed our dialogue and agreed that our foreign ministers and relevant experts at the level of deputy ministers will intensify this work. Naturally, this issue has always been a subject of discussions between the Russian President and the Prime Minister.

I am sure that during the meeting with Mr Abe here in Vladivostok this issue will also be discussed, but finding a solution requires it to be well thought out and prepared, and I reiterate, a solution that is not based on the principles of causing damage, but, on the contrary, on the principles of creating conditions for developing long-term ties between the two countries.

**John Micklethwait:** You seem to be more relaxed about territory in Asia. You mentioned the Kurils, you gave the island of Tarabarov back to China. Would you consider giving back Kaliningrad as a tribute?

**Vladimir Putin:** We handed over nothing, those territories were disputed and we have been negotiating this issue with the People's Republic of China, let me stress that, for 40 years, and finally managed to come to an agreement. One part of the territory was assigned to Russia, while another part – to the People's Republic of China.

Notably, it was only possible, and this is very important, due to the high level of trust Russia and China reached in their relations by that time. If we reach the same level of trust with Japan, we might be able to reach certain compromises.

However, there is a fundamental difference between the issue related to Japan's history and our negotiations with China. What is it all about? The Japanese issue resulted from World War II and is stipulated in the international instruments on the outcomes of World War II, while our discussions on border issues with our Chinese counterparts have nothing to do with World War II or any other military conflicts. This is the first, or rather, I should say, the second point.

Thirdly, regarding the Western part. You have mentioned Kaliningrad.

**John Micklethwait:** It was a joke.

**Vladimir Putin:** All jokes aside. If someone is willing to reconsider the results of World War II, let us discuss this. But then we will have to discuss not only Kaliningrad, but also the eastern lands of Germany, the city of Lvov, a former part of Poland, and so on, and so forth. There are also Hungary and Romania on the list. If someone wants to open this Pandora's box and deal with it, all right, go for it then.

**John Micklethwait:** Can I ask you about the Chinese again. Back in 2013 you said you set \$100 billion of trade with China as a target for 2015. But it was about \$67 billion-\$70 billion a year. What went wrong? I know the problems to the ruble and problems to the oil. Do you still think that target of \$200 billion in 2020 is achievable?

**Vladimir Putin:** Yes, I find it absolutely attainable. You have just listed the causes of this fall in bilateral trade yourself. At the first stage, we set the target at about 100 billion US dollars, and we almost got there – it reached 90 billion. So we are almost there. But we also know the reasons for the fall. These include a decline in the prices of our traditional export goods and the exchange rate difference. These are objective reasons. And you know that very well.

**John Micklethwait:** Did sanctions make a difference?

**Vladimir Putin:** The sanctions have nothing to do with our relations with China, because our relations with the People's Republic of China are at an unprecedented high both in terms of their level and substance. They are what we call "a comprehensive partnership and strategic cooperation". Sanctions have nothing to do with this. The decline in our mutual trade has objective causes, which are the energy prices and the exchange rate difference. But the physical volumes have not decreased, quite the opposite actually. They are growing.

As to our trade and economic relations with China, they are growing more and more diverse each day, something we have worked on for a long time with our partners from China. I would like to draw your attention to the fact that we have gone from pure trade in traditional goods (energy resources, such as hydrocarbons, oil and now natural gas, petrochemicals on the one hand and textiles and footwear on the other) to a whole new level of economic cooperation. For example, we are working together on space programmes. Moreover, we are developing and soon will begin the production of a heavy helicopter. We are now tracing the plan for the creation of a wide-body long-range aircraft.

Russia and China also cooperate in mechanical engineering, high-speed railway transportation, lumber processing, nuclear energy production and so on.

We have built the Tianwan Nuclear Power Plant. Two units are already operational and are showing good results. There are two more to go. So, the goal we have set for ourselves, which is to diversify our cooperation with China, is making progress.

**John Micklethwait:** Just listening to you speak I wonder if you look back, you became president first back in 2000, I wonder if you look back over that period whether you think Russia has become a little bit more an Asian country and a little bit less European one?

**Vladimir Putin:** I'll tell you this: it has become a more developed one. I would not draw a line between Asia and Europe. The divide lies in a different field – in the level of development. Since then, Russia's economy has become 1.7 times larger. That is a nearly two-fold growth. Russia has moved up to the fifth or sixth position in the world PPP ranking.

It is absolutely clear that ten and even less so fifteen years ago we would not have been able to respond to the sanctions that are now imposed on Russia, with countermeasures in agriculture, for example. We would not have been able to close our market to the countries making unfriendly steps against us, because we could not satisfy the demand with our own goods at that time. But now we can. That is one.

Secondly, a freer national market allows our agricultural companies to step up the production of goods inside the country. Aside from the decrease in GDP caused by a number of factors, not limited to sanctions but also related to the processes in the world economy, we are also experiencing a slight decline in the industrial sector. However, the agricultural sector is growing steadily at a yearly pace of 3 percent, and it will be 3 percent or even more significant this year and the next year as well.

So, if we look at what has changed in the last 15 years, we'll see that a lot has been done. Even more importantly, the Russian economy as a whole has been put on a sound footing. In 2000, we had 12 billion in gold and foreign currency reserves and, if my memory serves me well, a foreign debt of 20 billion.

Today, Russia is among the top ten countries with the best foreign debt/gold and foreign currency reserves ratio. As of 1st August 2016, the volume of our gold and foreign currency reserves amounted to 395, that's almost 400 billion USD, and the foreign debt stood at just about 13 percent of GDP. This ratio is among the most favourable in the world.

Back in 2000, 40 million people, a third of the country, were living below the poverty line. Since then, this number has dropped almost three times but has been, unfortunately, growing a little bit due to the economic difficulties and the overall fall in the household income. Still, it is an incomparably lower number than 15 years ago. Pensions are several times larger now, real salaries have grown substantially; they are now nothing like back then. These are the factors that helped us achieve what we have fought for and what lays the foundation for a successful development of any State, namely the demography.

In the early 2000s, it seemed to us that we could not reverse the negative demographic trend. The Russian population was decreasing year after year by – I will now tell you a horrifying number – nearly one million people, 900,000 to be precise. Throughout the last three years, we have witnessed natural population growth, we have the lowest...

**John Micklethwait:** You're encouraging romance.

**Vladimir Putin:** We have the right to say and be proud that we now have the lowest rate of infant mortality and the lowest maternal mortality in our contemporary history. As far as I know, this was not the case in the Soviet times.

We set ourselves the goal to increase life expectancy. Over the last five years, it has been growing a lot faster than we expected. All these facts taken together allow us to believe that we are on the right track.

Certainly, we still can and have a lot to do and we might have achieved greater results, but on the whole we are doing what has to be done.

**John Micklethwait:** You've just talked about the Russian economy, we'll come back and I ask you about reserves in just a second. But it struck while you're talking in detail in all the ways Russia got stronger. You're about to go to G-20 you have studied and watched the west many times. You've been to G-20 more than any other leader at the moment. Have you ever been to G-20 where the west is seen more divided, more in doubt, more distrustful in itself. Look at all those things happening in Europe – you look at migration, you look at Brexit, you look at America with all the election and the problems with that. Does the West seem particularly disunited at the moment to you. How do you explain that?

**Vladimir Putin:** There are many issues in the global economy in general and in the western economy as well: population ageing, drop in labour productivity growth rates. This is obvious. The overall demographic situation is very complicated.

Then, the specialists themselves, and you are one of the best specialists in this area, probably believe that in the course of EU expansion, for example, some elements concerning the readiness of some economies to enter the Eurozone have not been taken into account.

It is very difficult to enter a single currency zone having fairly weak economic parameters and maintain a favourable state of the economy, not to mention positive growth rates. We have witnessed it not only in Europe, but for example in Argentina (nearly 10 years ago or more), when they tied the national currency to the dollar and later they did not know what to do about it. It is the same with entering the Eurozone...

**John Micklethwait:** Do you expect the euro to survive?

**Vladimir Putin:** I hope so, because we believe in the fundamental principles of the European economy. We see that leaders in Western Europe (there are some debates of course, we also see that and analyse it all) stick to, I cannot say right or wrong ones, it always depends on someone's view, but I think, very pragmatic approaches in addressing economic issues.

They do not misuse financial instruments, financial injections, but, first of all, seek structural change. This is urgent for our economy as well, maybe even more urgent bearing in mind the problem that we cannot yet deal with, namely the prevalence of the oil and gas sector in the Russian Federation and, as a result, dependence on revenue from oil and gas.

This is also evident in Europe, not the dependence on oil and gas, but the fact that structural reforms are long overdue, and I think that the leading economies are very pragmatic and

efficient in addressing the issues facing the European economy. That is why we keep approximately 40 percent of our gold and foreign currency reserves in euros.

**John Micklethwait:** You expect that Europe won't keep the existing membership, and they going to lose more like they lost Britain?

**Vladimir Putin:** You know, I do not want to answer your provocative question, though I understand that it may be interesting.

**John Micklethwait:** Come on, many, many times you've criticized Europe...

**Vladimir Putin:** Well, yes, I have criticized it, but I repeat: we keep 40 percent of our gold and foreign currency reserves in euros, we are not interested in the collapse of the Eurozone, but I do not rule out the possibility of decisions being made that would consolidate a group of countries equal in economic development and this, in my opinion, will lead to a consolidation of the euro.

But there can also be some interim decisions in order to keep the present number of members of the Eurozone unchanged. This is not our job, but we always follow the actions of our European partners closely and we wish them luck.

Now, regarding that criticism you spoke about. I have criticized foreign policy, but that does not mean that we should agree with everything. Indeed, we criticize a lot of things, we think that our partners make many mistakes (may be we make mistakes too, no one is immune to making mistakes), but as for the economy, I repeat that, in my opinion, the European Commission and the leading European economies are acting very pragmatically and are on the right path.

**John Micklethwait:** Can we talk about the Russian economy. I know you will say that exchange rate a lot depends on central bank and the exchange rate is set by the market. I saw back in July, on July the 19th when the ruble was 62,8 with the dollar you said the ruble is too strong, you criticized that. And a ruble is now come down to 65 to the dollar. Is it weakened enough to make you happy? Or do you want to see it weakening further?

**Vladimir Putin:** I did not criticize the Central Bank's position. I have always thought and I still think that the Central Bank should act independently. Indeed, it does, you can take my word. I do not interfere in the decisions of the Central Bank and I do not give instructions to the Bank management or to its head.

The Central Bank observes the economic situation and, of course, I keep in touch both with the managers and the President of the Central Bank, but I never give instructions. If I said that the ruble had become too strong, I did not say that the Central Bank's position was wrong, I said that it added pressure to export-oriented sectors of economy. We all understand that this is true. When the ruble is weaker, it is easier to sell, to produce here for a cheap ruble and sell

for an expensive dollar, get revenue in dollars and then exchange it for rubles and get a bigger income. This is simple.

But if we speak about fundamental things, regulation of the rate is actually the function of the main regulator, namely the function of the Central Bank. And it should think of how the economy and industry react, but also of its fundamental tasks in order to ensure the stability of the rate.

The stability of the rate is the main issue and the Central Bank manages to ensure it one way or another. This was finally achieved after the Central Bank switched to a floating national currency exchange rate.

The Central Bank should take into account other things as well: the stability of the bank system in the country, the increase or decrease of money supply in the economy, its influence on inflation. The Central Bank has a lot to handle and it is best not to interfere with its competence.

**John Micklethwait:** You personally, would you like to see ruble a little bit weaker still, with their help? I know it is not your job but you made a comment before. What do you say now?

**Vladimir Putin:** You know, my position is that the rate should align with the level of economic development. Because it is always about a balance, a balance of interests, and it should reflect this balance. A balance between those who sell something across the border and those who benefit from a low rate, as well as a balance between the interests of those who buy, who need the rate to be higher.

A balance between national producers, for example, agricultural producers who are interested in it. Here we have 40 million Russian citizens involved in the sphere of agriculture one way or another. This is very important. We should not forget either about the interests of the regular consumers who need the prices in supermarkets to be a little bit lower.

Therefore, let me reiterate that the rate should not meet the interests of a specific group or one or two groups, it should meet the fundamental development interests of the economy itself.

**John Micklethwait:** So you are no longer complaining. I will take it that you are not too unhappy where it is?

**Vladimir Putin:** I did not express any disagreement, did not complain. I simply noted that one of the groups, especially exporters, would prefer to have a weaker rouble.

**John Micklethwait:** You mentioned earlier Russia used to have \$500b. Now it is \$400 billion. You have this target to get back to \$500 billion. What do you think is the realistic target? And your opinion: should the central bank be buying more dollars in order to push it back up towards \$500 billion?



**Vladimir Putin:** The Central Bank is constantly purchasing, purchasing and selling and vice versa – this is their job. I believe that over the last six months gold and foreign currency reserves increased by 14 percent.

**John Micklethwait:** They gone back up a little bit, but they haven't been buying dollars in the same systematic way as they did once.

**Vladimir Putin:** You and I know very well about the necessary level of reserves of the Central Bank as well as the purpose. We can tell the general public that the gold and foreign currency reserves of the Central Bank are not designed to finance the economy, but rather to ensure foreign trade turnover. Therefore, we need this level to be able to provide the necessary foreign trade turnover for such an economy as Russia's for a period of at least three months. If everything stops functioning our level will be able to ensure our trade turnover using its gold and foreign currency reserves for at least six months or more, which is more than enough.

Therefore today we have an absolutely sufficient level of gold and foreign currency reserves in order to ensure economic stability and sustainable foreign trade turnover. All other issues – purchasing and selling of currency – are related to the regulation of the national currency market. However, it is still difficult to say what will be the reaction of the Central Bank and if it would lead to increasing the gold and foreign currency reserves. Let us not forget that we have two governmental reserve funds: the Reserve Fund and the National Wellbeing Fund that represent together \$100 billion.

**John Micklethwait:** Can I ask you about the oil price — your favourite subject. Almost two years ago you said that if crude oil fell below \$80 a barrel there would be a collapse in oil production. The price is still below \$50 and production hasn't stopped. Has your thinking changed on that at all?

**Vladimir Putin:** If I said that oil production would collapse I was wrong. By the way, I do not remember when I said this, maybe in the heat of the moment, but I do not think I even said it, but I may just not remember it. I was saying that at a certain level of oil prices new deposits will not be explored. That is what is actually happening. However, surprisingly, our oil and gas workers (mainly oilmen) continue to invest.

Over the past year, oilmen have invested 1.5 trillion rubles, and if we take into account government investments into the development of pipeline transport and electric energy, general investments into the energy sector were 3.5 trillion rubles last year. It is a considerable amount.

Oil production, energy production are growing, though the latter has gone down by about 1 percent here, I believe... By the way, we occupy the first place in the world in gas export,

accounting for 20 percent of the world market. We are also first in the sphere of liquid hydrocarbons export.

Though we still come first in the sphere of gas export, national production has diminished due to the increasing volumes of hydrogenation for the electric power industry and therefore there is a lower need for gas at thermal power plants. This is the result of the restructuring of the situation at the national energy market. In general, Gazprom is doing well and is increasing export in its traditional partner countries.

**John Micklethwait:** You're going to talk to Saudi Deputy Crown Prince Mohammed bin Salman at the G-20. Would you still be in favor of the production freeze if the Saudis want that?

**Vladimir Putin:** As far as I know, Mr. Salman is deputy Crown Prince, but this is not so important. He is a very active statesman, we have really warm relations. This is a person who knows what he wants and can achieve his goals. At the same time I consider him to be a reliable partner with whom one can negotiate and be sure that agreements with him will be implemented.

However, it was not us who refused to freeze oil production; our Saudi partners changed their point of view at the last moment and decided to slow down the adoption of this decision. I would like to reiterate our position, it remains the same. Firstly, in my conversation with Prince Salman on this issue I will reiterate our position: we think that this is the right decision for the world energy sector.

Secondly, it is well known what we were arguing about: if we freeze oil production, everybody should do so, including Iran. But we understand that the Iranian position is very bad because of the well-known sanctions against that country, and it would be unfair to leave it on this sanction level. I believe that in fact it would be economically reasonable and logical to reach a compromise, I am sure that everybody understands this.

This issue is not economic but political. I hope that all market participants interested in maintaining stable and reasonable world energy prices will finally make the right decision.

**John Micklethwait:** So you would be in favor of a production freeze but giving Iran a little bit of leeway to do what they need to do?

**Vladimir Putin:** Yes.

**John Micklethwait:** I want to jump back — all these things affect budget. You have budget deficit, you just given some more money which you mentioned earlier to pensioners. You will have to borrow sometime. Are you likely to go this year? And will you go to the domestic market or will you go to the international market to borrow money?

**Vladimir Putin:** There is no such need at the moment. We do not have to borrow in the external market, but we have used and are using this traditional instrument in international financial relations. We have issued financial instruments in the past, and there is a strong demand for them, it is simply unnecessary now. Given the cost of borrowings and the \$100 billion in Government reserves, there is no reason for us to borrow. We should review the situation carefully. Besides, borrowings are possible, but we must understand what is more profitable at this point. This is one point.

The second. The deficit. Last year the federal budget deficit was 2.6 percent. I think you would agree that this is a rather acceptable level. This year, we expect a slightly higher deficit of about 3 percent, maybe a little more than 3 percent. It is also an absolutely acceptable level. But what are we seeking to achieve? We are seeking to optimize budget spending. I believe that even in such uneasy times we employ a very pragmatic approach towards economic and social issues. We do address major social problems and deliver on our promises to our people.

The Government has just announced a four percent indexation of pensions. There has been no indexation in the second half of the year, but early next year we will make a one-time payment of 5,000 rubles to each pensioner, which is actually comparable to the indexation. We act in a pragmatic and careful manner. We reduce spending on budget items that do not constitute a priority. We are not going to waste our reserves and burn them for any political ambitions. We will act very carefully.

I hope that there will be no particular need for us to attract external funding. It is worth noting that despite the fact the turnover is smaller now we are still maintaining a trade surplus. I believe that we now have a trade surplus of \$45 billion for the first half of the year.

Year-on-year inflation has dropped several-fold. Several-fold! Year-on-year it was about 10 percent compared to last August, but now it is only a slightly more than 3 percent. The unemployment rate of 5.7 percent is also acceptable. Our microeconomic indicators are stable and it gives me reason to believe that we will calmly and steadily pass this uneasy period in our economy, which has already no doubt adapted to the current situation.

**John Micklethwait:** Can I ask you about privatization and oil again? The privatization of Bashneft – you've delayed it. And now as we reported Igor Sechin of Rosneft just come forward and said he would like to buy the half of it for \$5 billion. You have always said that you don't want for big state companies to be buying the newly privatized ones. You wouldn't allow that, would you?

**Vladimir Putin:** You know, you have just mentioned state companies. Strictly speaking, Rosneft is not a company. Let us not forget that BP has a stake in Rosneft and BP is a British company. You are a subject of the UK, are you not? It means that you also to a certain degree...

**John Micklethwait:** You may have more control over Rosneft than Theresa May has over BP.

**Vladimir Putin:** We may have more control, but my point is that, strictly speaking, it is not a state company. I think that this is an obvious fact, as a foreign investor has a 19.7 percent stake in it. However, given the fact that the State has a controlling stake in the company, it might not be the best course of action when one company under State control buys another one fully owned by the State. This is one point.

Another point is that ultimately, as far as the budget is concerned, of major importance is who offers more money during the bidding that must be organized as a part of the privatization process. In this sense, we cannot discriminate against any market participants, not one of them, but this is not relevant at the moment, as the Government has decided to postpone the privatization of Bashneft.

**John Micklethwait:** That's gone. But on the question on privatization, you said back in 2012 that you wanted to expand privatization, you've had a difficult time on this. Why has that not worked? Is there a case, why does Russian government need to own 50 percent of these companies? May be you could sell more?

**Vladimir Putin:** There is no need for the Russian state to hold such large stakes and we do intend to put our plans into practice. It is not about whether we want it or not, it is about this being practical or not and the best timing. In general, it is practical from at least one point of view – from the point of view of structural changes in the economy. It is true that the role of the state in the Russian economy may be too big today, but from the fiscal standpoint, it is not always practical to do this in a falling market. That is why we are careful, but our trend in the privatization process and gradual withdrawal of the state from certain assets remains unchanged.

By the way, you have mentioned Rosneft. We are actively preparing a partial privatization of Rosneft itself. It is the best proof that our major plans have remained unchanged. Another example would be one of the largest Russian diamond mining companies in the world. We are privatizing part of our stake in that as well.

**John Micklethwait:** ALROSA?

**Vladimir Putin:** ALROSA. We are working in other areas as well, so there are no radical changes to our position. It is not the case when we have to, as we say, make a lot of fuss about it. In other words, we do not have to be obsessed with privatizing immediately and at any cost. No, we will not do it at any cost. We will do it in a way that ensures maximum benefit for the Russian state and the Russian economy.

**John Micklethwait:** So you would do Rosneft this year, you would sell those shares in Rosneft this year you hope?

**Vladimir Putin:** We are getting ready for the deal this year. I do not know whether the Government will be able to get ready to conduct this transaction together with the management of Rosneft itself, whether the appropriate strategic investors will be found. And I believe it is about such investors that we should talk. But we are getting ready, and it is in the current year that we are planning to do this.

**John Micklethwait:** And do you, do you again just to push you on that 50 percent, would you be happy in a world where the Russian state had less than 50 percent of these big companies?

**Vladimir Putin:** We do not consider this disastrous at all. You know, I remember that when foreign shareholders, foreign investors, got 50 percent in one of our companies, I will not name it now, their contribution to the federal budget and tax payments increased several times over at once and the company's efficiency did not decrease. Therefore, in terms of the interests of the state, the ultimate interests of the state, in terms of its fiscal interests, we have a positive experience, most likely, not a negative one.

**John Micklethwait:** Can I push you on this a little bit? Because when I look on your record over all these years, in foreign policy you're been very aggressive, very decisive, very bold and everyone agree on that. On economic policy you seem a little more timid.

**Vladimir Putin:** I do not agree with you. I have acted firmly but not aggressively.

**John Micklethwait:** Yes, firmly, rather.

**Vladimir Putin:** I have acted in accordance with the circumstances.

**John Micklethwait:** But on the economy on the contrast you've been slightly more, you've been less decisive in terms of pushing reforms. If you look at countries like China and Vietnam, you know, they have changed their economies completely. Russia, as you've said, is still dependent on oil, still dependent on a few companies, still run largely by the same people. Do you think that's been failing through out the years that you have not reformed enough?

**Vladimir Putin:** No, I do not think so. Moreover, look, we have carried out a land reform, and it was hard to imagine that ever being possible here in Russia. Note that, unlike many countries in the world with a well-developed market economy, we have, say, the oil sector that is almost completely privatized. Here you have named the Rosneft and Bashneft companies, all the rest are private companies. And look what is happening in this sector in Saudi Arabia, in Mexico and in many other oil-producing countries.

Why do you think that Russia is less advanced in regard to these reforms? Another thing is that, with the high oil price, it is very difficult to reorient economic actors from the sectors where they get big profits and to encourage them to invest money and resources in other sectors.

To that end, we need to carry out a whole set of measures, so we are gradually doing that. Regrettably, may be, the effect is not as powerful as we would like it to be — now I finish in a second, patience — but still there is a result.

See, the year before last, the budget received 53 percent from oil and gas revenues, it was the year before last — 2014, in 2015 it was 43 percent and this year it will be about 36 percent. So, structural changes also occur. And it is not just the price but also economic growth, the growth of specific production sectors. For example, we currently see a 0.3 percent increase in industrial production in the country in general, it is small but it is still in place. And, say, in the Far East, where we are now, the growth of industrial production, industrial in particular, is 5.4 percent.

**John Micklethwait:** Let me give you an example. You've recently made changes on the political side within your administration. If I look at the business, if I look at a company like Gazprom, for instance, I just checked in dollar terms, Gazprom is worth less than a fifth of what it was ten years ago, and it's fallen from being in top-10 companies in the world to 198th. And you've had the same manager, running it for 15 years — Alexey Miller — you've now given him another 5-year contract. What I'm saying, you're not as tough on business people who are running the oil side as you might be on other people. Why have you put up with this? You're famously efficient man.

**Vladimir Putin:** Look, Gazprom is clearly undervalued, it is absolutely obvious. We are not going to sell it yet and it is connected with the peculiarities of the Russian economy, social sphere and the Russian energy sector. One of the functions of Gazprom is to ensure the smooth operation in the country during the autumn-winter peaks and to supply Russia's large energy sector, and it copes with this task. I think that the assessments of Gazprom today are quite speculative and we have absolutely no worries and cares about that.

We know what Gazprom is, what it is worth and what it will be worth in the coming years, in spite of, say, the development...of gas in the United States or somewhere else in the world. Pipe gas will always be cheaper. And Gazprom is now increasing its exports to the countries of its traditional partners. In Europe (see the reports of Gazprom there), especially in recent months, the sales have been growing.

I am sure, that will continue in the future. Why? Because in the near future, despite the development of alternative energy, after all, if we look at the economic component and the requirements to environmental standards, there is no other primary energy source, except for gas, in the world. It could be only nuclear power. But here, there are also many problems and opponents of nuclear power. Regarding gas, there are no such opponents. But there is a country that is undoubtedly the leader in gas reserves. This is our country, the Russian Federation. And Gazprom fulfills all the functions assigned to it, assigned to its management.

There are, of course, questions and there are problems. We see them. I know that Gazprom's management is taking the necessary steps in order to solve these problems; it is fighting for its interests in the world markets. It is another question whether it is being done well or badly. Many criticize Gazprom, saying that it should have been more flexible and should have introduced floating prices depending on the current situation in the economy. However, the gas business is very peculiar. It is not even the trade in oil.

This is a separate business that is connected with large investments in production and transportation. And it means that the production structures are to be sure that they will sell and sell at a certain price.

You can, of course, negotiate with partners on some floating limits depending on some conditions. I think it may also be a subject of negotiations, but if, for example, our European partners want to ensure their competitiveness in global markets, they should ultimately be interested in long-term contracts with Gazprom.

Look, when the prices were high, Gazprom faced a lot of complaints that something should be done in order to cut a little the highest price. Oil prices currently dropped and gas prices depend on oil, but nobody thinks about increasing gas prices, everybody is fine with that. It means that buyer and seller have natural contradictions. But there is also some space for them to reach an agreement in order to minimize their risks. I suppose they can talk about it.

**John Micklethwait:** I know you're a generous man, but if you had a general who had lost 80 percent of his army, you might not keep him as a general. Gazprom still has the export monopoly, you wouldn't think of taking it away from them, given that performance, because it is worse than other gas companies.

**Vladimir Putin:** It's a different case. Speaking about the general, in this context he lost nothing, it was just transferring to reserves which may be drawn upon and used any time.

**John Micklethwait:** The G-20, this one will be the last times when you'll see Barack Obama. And as you well know there is American election on the way and as you well know there is a choice in that between Hillary Clinton and Donald Trump. Who would you rather have at the other end of the telephone if there is geopolitical situation — Donald Trump or Hillary Clinton? Do you have a feeling at all?

**Vladimir Putin:** I would like to deal with a person who is able to take responsible decisions and implement the agreements reached. The name does not matter. Of course, this person is to have the trust of the American people, then he or she would not only have the wish but also the supported political will to implement all these agreements.

We have never meddled in the domestic affairs of any state and we never will. We will keep a close eye on what is happening and wait for the election results and after that we will be ready to work with any Administration given that it wants to work with us.

**John Micklethwait:** Can I just push you on that? Back in 2011 you accused Hillary Clinton of seeking to trigger the protests that you were facing in Russia at the time. And by the contrast when I look at some of things that Donald Trump said about you back in 2007 that Putin is doing a great job, in 2011 he praised your no-nonsense way, the next year he said you is new best friend, next year he said you're outsmarting the Americans, he said you have good ratings to get ...

And I can go on like that. And you are really telling me that if you have a choice between a woman, who you think may've been trying to get rid of you, and a man, who seems to have this great sort of affection to you, almost bordering on the homoerotic, you not going to make a decision between those two, because one of them would seem to be more favorable towards you?

**Vladimir Putin:** You know, actually I have already answered your question, but I can put it differently, say it in other words: we are ready to deal with any President, but of course, and I mentioned that, it depends on the readiness of the future Administration. We always welcome when somebody says he or she is ready to work with Russia. But if anybody, just like you said, (inaccurate translation possibly), wants to get rid of us, then this is a different approach. However, we will get over it; you never know who is going to lose more with such an approach.

Here is the thing: I have seen several times that anti-Russian cards are being played during domestic campaigns in the United States. I find this approach very short-sighted.

At the same time we receive different signals all around that in fact, everything is fine. The same situation occurred with the previous administrations during the election campaigns, claims that everything will be restored later. I do not think it matches the level of responsibility shouldered by the United States. I suppose it should be more sound, calm and balanced.

As for the criticism we receive, you know, even Mr. Trump's team criticize us. For instance, one of the participants or members of his team claimed that Russia was giving money to the Clintons through some funds and that in fact Russia is controlling the Clinton family. This is nonsense. I do not even know where Bill Clinton delivered his speech and I know nothing about any funds. Both parties simply use it as a tool in their internal political contention, and I am sure it is a bad thing. But again, we welcome the fact that somebody expresses readiness to work with Russia whatever the name of that person.

**John Micklethwait:** Very quickly: the other accusation you've faced or heard a lot is people connected with Russia or backed by Russia were the people who hacked into the Democratic Party database. Is that, you would also say that is completely untrue?



**Vladimir Putin:** I know nothing. There are a lot of hackers today, you know, and they perform their work in such a filigreed and delicate manner and they can show their “tracks” anywhere and anytime. It may not even be a track; they can cover their activity so that it looks like hackers operating from other territories, from other countries. It is hard to check this activity, maybe not even possible. Anyway, we do not do that at the national level.

Besides, does it really matter who hacked Mrs. Clinton’s election campaign team database? Does it? What really matters is the content shown to the community. This is what the discussion should be held about. There is no need to distract the attention of the community from the essence of the subject substituting it with secondary questions dealing with the search of those who did it.

I would like to repeat: I know absolutely nothing about it, and Russia has never done anything like this at the State level. Frankly speaking, I could never even imagine that such information would be of interest to the American public or that the campaign headquarters of one of the candidates – in this case, Mrs. Clinton – apparently worked for her, rather than for all the Democratic Party candidates in an equal manner. I could never assume that anybody would find it interesting. Thus, in view of what I have said, we could not officially hack it. You know, it would require certain intuition and knowledge of the U.S. domestic policy peculiarities. I am not sure that even our experts from the Ministry of Foreign Affairs have such intuition.

**John Micklethwait:** Do you not think this is sort of the time when everyone should sort of come clean about it? Russia tries to hack America, America tries to hack Russia, China tries to hack America, China tries to hack Russia? Everyone tries to hack each other.

One of the purposes of the G-20 is to come up with a new set of rules so this can become a more ordered version of foreign policy when everybody is doing this. Allegedly.

**Vladimir Putin:** I believe that the G20 should not interfere, because there are other platforms for that. The G20 was established as a forum to discuss, first and foremost, world economic issues. If we load it with...

Of course, politics affects economic processes, this is obvious, but if we bring some squabbles, or not squabbles, rather, some matters that are really important but relate purely to world politics, we will overload the G20 agenda and instead of addressing such issues as finance, structural economic reforms, tax evasion and so forth, we will engage in endless debates concerning the Syrian crisis or some other global challenges, of which there are many, or the Middle East problem. We should find other platforms, other forums for that, and there are plenty of them, including, for example, the UN and the Security Council.

**John Micklethwait:** Can I ask one last question on Donald Trump. Some people say that he is too volatile to be an American president. You would be happy with him as American president in the same way as you would be happy with Hillary Clinton in that role.

**Vladimir Putin:** We cannot decide for the American people. After all, despite the scandalous behavior of one and, by the way, the other candidate (they are both scandalous in their own ways), they are smart, they are really smart and they are aware of the leverages they should use to make the voters in the United States understand them, feel them and hear them.

Donald Trump is targeting the traditional Republican voters, the average person with an average income, the working class, a certain group of entrepreneurs and those people who embrace traditional values.

Mrs. Clinton is focusing on a different part of the voters trying to influence them in her own way as well; so they attack each other and in some cases, I would not want us to follow their pattern. I do not believe they are setting the best example. But this is the political culture of the United States, which one should accept as is. The United States is a great country and it deserves non-interference and no third-party comments.

Answering your question for the third time, I can tell you that we will work with any Administration and with any President in whom the American people have placed their trust. That is, of course, if they wish to cooperate with Russia.

**John Micklethwait:** Let me ask you about other country. Another person you'll meet at G-20 Theresa May. Britain has ended up in the same situation as Russia, it is in Europe, but not, likely not to be in European Union. Will you approach them with a free-trade deal?

**Vladimir Putin:** Well, I would like to finish my answer to the previous question. You have been working as a journalist for a long time. You are quite knowledgeable and you understand all the threats that may arise from a tense international environment, don't you? Especially if there is tension between major nuclear powers of the world. We all understand this.

Of course, you are the one asking me questions. It is you who is the interviewer, not I. However, let me ask you a question: do you want another Cuban Missile Crisis? Or don't you?

**John Micklethwait:** No, nobody does.

**Vladimir Putin:** Of course, nobody does.

**John Micklethwait:** But that is one reason why I asked about Donald Trump because he is seen as a more unpredictable force than Hillary Clinton.

**Vladimir Putin:** And you too would prefer that Russia maintained good relations with both the United Kingdom and the United States, wouldn't you? I would prefer it as well. If anybody in the U.S. or in the United Kingdom says: "I would like to establish good partnership relations with Russia", then both of us, you and me, should welcome that. So

should people like me and people like you. However, we have no idea yet what would actually happen after the elections. That is why I am telling you that we will work with any President designated as such by the American public.

As for the United Kingdom, we have a meeting scheduled with the Prime Minister in China on the G20 sidelines. We had a telephone conversation. Unfortunately, the relations between the United Kingdom and Russia have not developed in the best possible way; however, it has never been our fault. It was not we who decided to discontinue relations with the United Kingdom; it was the UK who preferred to "freeze" our bilateral contacts in various fields. If the United Kingdom considers it necessary to start a dialogue on certain issues, we are ready for that, we are not going to pout or sulk. We take quite a pragmatic approach towards cooperation with our partners and we believe that it would be beneficial for both our countries.

We were speaking about our largest oil company Rosneft, and I recalled in the beginning that almost 20 percent of it (19.7) belongs to BP. Who's company is that? British Petroleum, isn't it? I suppose that is not bad. I have to tell you that British Petroleum's capitalization is significantly related to the fact that it owns more than 19 percent of Rosneft, which has vast oil reserves both in Russia and abroad. This has its impact on the company's stability as well.

Thus, BP found itself in a difficult situation after the tragic events in the Gulf of Mexico. We did everything we could to support it. Britain is interested in this, isn't it? I think it is. The same is true of other areas.

We are marking the anniversary of the Arctic convoys. You know about that, don't you? We really do consider members of the Arctic convoy to be heroes. This is true. I am not saying this as a fashion of speech. Indeed, that is exactly what they were. We know that the conditions in which they fought were appalling. Time and again they faced death in the name of a common victory and we remember that.

**John Micklethwait:** Do you think Britain might be more compliant or more likely to do a deal with Russia now it is outside or going to leave the European Union?

**Vladimir Putin:** Britain is leaving and has de facto left the European Union; however, it has not withdrawn from its special relationship with the United States and I believe that the UK's relations with Russia depend on Britain's special relationship with the United States rather than on its presence in or absence from the European Union. If Britain pursues a more independent foreign policy, it might be possible then. And if it is guided by commitments to its allies and considers this to be of a bigger national interest than its cooperation with Russia, so be it.

After all, this is not our choice; this is the choice of our British partners, the choice of priorities. Anyhow, we obviously understand that, being a United States' ally and having a special relationship with it, the UK in its relations with Russian has to make an allowance for

the opinion of its partner - the U.S. We take this reality as a given fact, but let me underscore once again that we will be ready to do as much as Britain will be ready to do in order to resume our mutual cooperation. This does not depend on us.

**John Micklethwait:** Can I ask you about one last person in the G-20. President Erdogan. You didn't protest that much when Turkish tanks rolled across the Syrian border the other day. Why? Do you think Turkey has now moved closer to your idea that the future of Syria has to involve President Assad staying in some way or have you changed your mind about President Erdogan. A little bit ago you were complaining that you were stabbed in the back and with the problems to do with the jet being shot down. Has something changed in Turkey in terms of what you can see?

**Vladimir Putin:** First, we acknowledge the importance of Turkey's apologies for that incident and for the death of our people, it gave them in a straightforward manner without any reservations and we appreciate this. President Erdogan did so and we witness genuine interest of the Turkish President in restoring the country's relations with Russia on a full-scale basis. We share a lot of interests in the Black Sea region, on a global scale and in the Middle East.

We expect to be able to begin a constructive dialogue; we have quite a number of major energy projects, for example, the well-known Turkish Stream. I think we will finally carry it out, at least its first stage aiming to broaden transportation capabilities and increase supplies to the Turkish domestic market, but also potentially providing the European partners with the possibility of transportation if they wish so and if the European Commission supports this idea.

We have got a large project to build a nuclear power plant on unique terms and conditions. They include several components: we give credit, possess and operate. These unique features give us grounds to believe that this is a feasible project given the arrangements on economic parameters that are built on the electricity price per kilowatt-hour, as well as that this project will be cost-effective for both sides.

Apart from other things, though, as I have already said, we share the objective of reaching an agreement on the regional challenges, including the Syrian problem. I have believed for quite a while now that no issues related to the change of political regimes and power should be settled from outside.

When I hear someone say this or that president must resign, and hear that from outside the country rather than from inside, I have got a lot of questions. I am pretty sure and my confidence is based on the events of the last decade, in particular the attempts to bring democracy to Iraq or Lebanon; we see what they have come to – virtually to the collapse of statehood and the rise in terrorism.

Where in Libya do you see elements of democracy? They will probably emerge someday, I really hope so. Or take the ongoing civil war in Iraq. What is going to happen to Iraq as a State in future? So far these are just difficult questions.

Same thing with Syria. When we hear that Assad must step down (for some reason some people from outside believe so), I have a question: what will the result be? And in general, does it conform to the international law? Where will this lead to? Isn't it better to remain patient and promote the changes in the structure of the society itself and, by doing so, wait for the changes to happen naturally within the country.

Sure, this is not going to happen today or tomorrow, but probably that is what political wisdom is about – never to hustle, never to leap ahead but rather to move step by step towards structural changes, in this case in the political system of society.

As far as Turkey's actions is concerned, we keep contact with our Turkish partners. We believe that everything that contradicts international law is unacceptable. But we keep contact on political level, as well as on the level of the Defense and Foreign Affairs Ministries. I am sure we are also going to talk about this during the meeting with Turkish President Erdogan in China.

**John Micklethwait:** Very quickly on Syria. Are we any closer to having Russian-American deal about how, a plan for what to happen with Syria. You've had talks recently. It seems that you've got a little bit closer, but is there any progress on that? And do you think we're closer to that than we have been?

**Vladimir Putin:** You now, the negotiation process is very complicated. One of the main difficulties is that we insist, and our American partners do not object, that the so-called "healthy part" of the opposition should be separated from the radical groups and terrorist organizations, such as Jabhat al-Nusra.

However, we get a feeling that Jabhat al-Nusra and those of its kind are disguising themselves, using different names, but nothing changes in essence. They have begun to absorb the "healthy part" of the opposition, and there is nothing good about. Besides, it is no longer internal fighting we are facing. Those fighters have come from abroad supplied with foreign arms and ammunition. Basically, our American partners agree with this, but they just do not know how to deal with it.

Nevertheless, despite all these difficulties, we are on the right track. I should say that Secretary of State John Kerry has done tremendous work. It is astonishing how he manages to be so patient and persistent at the same time. No matter what, I believe we are moving in the right direction, and I do not rule out that, any time soon, we will be able to reach consensus on some issues and share our agreements with the world community. It is too early to speak about it, but, as I have already said, I think we are moving in the right direction. .

**John Micklethwait:** If you look back over all the time you've been president, you could argue the relationship with the West. All these problems to do with the trust and we can go through each of the individual conflicts. But when you look back over that period in the way that relationship with west has not always worked , do you think there are things looking back you would have done differently if you would known about it?

**Vladimir Putin:** No, there is nothing I would have done differently. I think it is our partners who should have done many things differently. When the Soviet Union ceased to exist we welcomed our Western partners with open arms. Just remember what it took us to disclose our wiretapping systems in the U.S. Embassy in Moscow. Nothing like that was done in return. You think CIA does not have any taps listening to us? Of course it does. Moreover, it started working even harder in that respect.

We, for instance, put an end to the flights of our strategic aviation along the U.S. border, while the United States never did so. We conducted no flights for ten years, but the United States never stopped, they kept flying. Why? We said we were ready to create a new system of European security with the participation of the United States. Instead, NATO began to expand, moving closer to our borders: one step, then another one.

We said we needed to address the issues concerning the anti-ballistic missile systems of missile defense, preserving or updating the Anti-Ballistic Missile Treaty. The United States unilaterally withdrew from the ABM Treaty and launched an intensive construction of a strategic ballistic missile defense system as part of their strategic nuclear forces transferred to the periphery, and started constructing missile deployment areas in Romania and, subsequently, in Poland.

Initially, as you remember, it was done with the reference to the Iranian nuclear threat, but then an agreement with Iran was signed, including by the United States. The agreement has already been ratified, so there is no more threat, however, the construction of the missile deployment areas is still ongoing. Question is: against whom? Back then we were told, "It is not against you". We responded, "But then we will have to modernize our strike systems". "Do what you want, we will think it is against somebody else". So that is what we are doing. Now, when we have made some progress, our partners have begun to worry, "How come? What is going on over there?" Why did they give us such an answer back then? Probably because nobody believed we were capable of doing this.

In the early 2000s, given the total collapse of Russia's defense industry and, frankly speaking, low, to put it mildly, low combat capability of the Armed Forces, nobody could even think that we would manage to recover the combat potential of the Armed Forces and to build the national defense industry all over again. Observers from the United States (you know this, right?) were present at our nuclear weapons production facilities. They were literary there, at the plant, we had that level of confidence. And then followed those moves – first, second, third, fourth. We had to respond somehow, you know. They keep telling us, "It's none of your business, it doesn't have anything to do with you, it's not against you".

Not to mention a very sensitive period in our history – the traumatic events in the Caucasus and the Chechen Republic. As a journalist, you should know what was the reaction of the Western political establishment and the media. Did they support Russia's legitimate authorities in their efforts to restore and strengthen the statehood? No, quite the opposite, they supported separatism, and, in fact, terrorism. Everybody was turning a deaf ear to the fact that there, side by side with fighters and separatists, was fighting Al-Qaeda. We were told, "Do not worry, we are just concerned about the development of democracy in your country". Thank you very much for such care! But still, our attitude is positive, we understand the logics of political and geopolitical struggle, and we stand ready to cooperate if our partners are ready for such cooperation.

**John Micklethwait:** If I had to look at the West and to sum up where they think, their side of the argument would be, that they, I think, that the root of their distrust is the idea that they think that you want to expand Russia's zone of influences, in some case geographically, but also the very least to control the countries on your border. And on the moment, the main area of nervousness on that is the Baltics — Estonia, Lithuania, Latvia. Would you be able to.. You talked about the trust.. Would you be able to say something that would give them reassurance on that count?

**Vladimir Putin:** You see, I believe that all sensible people who are involved in real politics understand that references to threats posed by Russia to, let us say, the Baltic States are absolute non-sense. Do you think we are going to start a war with NATO? How many people are there in the NATO countries? About 600 million, right? Russia's population is 146 million. Yes, we are the largest nuclear power. But do you really think we are going to use nuclear weapons to take over the Baltics? Non-sense. That's the first thing, but not the most important one.

The most important thing is that we have a vast political experience, and we are convinced that you cannot do anything against the will of the people. Nothing can be done against the will of the people! However, it seems that some of our partners fail to understand this. Thinking of Crimea, they choose not to notice that the will of the Crimean people, 70 percent of which are ethnic Russians and the rest speak Russian as their native language, was to join Russia. They prefer to ignore this. In one place, in Kosovo, the will of the people can be honored, but here – it cannot. All of this is about political games.

So, I can reassure you that Russia has been pursuing absolutely peaceful foreign policy aimed at cooperation, and will continue to do so.

As to extending our zone of influence, it took me nine ours to get from Moscow to Vladivostok. It is slightly less than it takes to get from Moscow to New York through the entire Western Europe and the Atlantic Ocean. Do you really believe we need any expansion? It is not territories we are talking about.

As for the influence, well, we do want Russia to have stronger and more tangible influence, but we want it to be absolutely peaceful and positive. What we have in mind is economic and humanitarian influence, which implies developing equal cooperation with our neighbours. This is what our foreign policy, as well as our foreign economic policy, is aimed at. There can be no doubt about it.

**John Micklethwait:** I just want to use one example on the issue. You mentioned Crimea, you mentioned what happened then and back then in terms of the reassurances as you might give is that back then March 4th 2014, which is checked, three times our reporter asked you what is happening inside the Crimea, did you know anything about Russian troops, which were taking over the Ukrainian government. And you said no, knew nothing about that nor the military bases. And a year later you talked about directing operation to bring Crimea home yourself. Do you accept that sometimes you could may be said things in much clearer way when they are actually happening.

**Vladimir Putin:** Of course, I do. I have repeatedly commented on these issues. It is quite simple, and I have already said that. Indeed, our military personnel were there to ensure security at the voting and referendum. If we had not done so, we would have faced a tragedy even worse than the one in Odessa when people were burned alive in the House of Trade Unions, when nationalists trapped defenseless and unarmed people inside the building and burned them alive. Such incidents would have been rampant in Crimea, so we prevented it from happening. The fact is that people came to polling stations to cast a vote voluntarily; no one would have come at gun point.

This is so obvious, that there can be no doubt about it. Just come over to Crimea, walk around, and everything will become perfectly clear to you. So, yes, our military personnel were in Crimea; but they did not even outnumber our grouping that had been present there under the treaty we had with Ukraine.

Most importantly, though, the Crimean parliament, which had been elected two years prior to the voting under the Ukrainian law, voted in favour of the referendum and later, in favour of independence. It is an absolutely legitimate representative body elected by Crimean people. This is first.

Second, the international legal framework. When the settlement of the Kosovo issue was under negotiation, the UN International Court of Justice passed a judgment that was met with applause by all Western partners. The Court decided that the settlement of independence issues did not require the decision of country's central authorities. So, we did everything in accordance with international law, the United Nations Charter and principles of democracy, which include, first of all, the free expression of peoples' will.

**John Micklethwait:** One last set of questions about your legacy or your current achievements. The future.. have you yet decided if you will run in the presidential elections iof 2018?



**Vladimir Putin:** We are having parliamentary elections soon, so we should wait for results. And even after that, we have almost two more years to go. So, it is quite premature to talk about it. You know, it is even harmful to talk about such things today when the world is changing so rapidly. What we should do is work hard to see accomplished all the plans and targets we have set. We should achieve the improvement of living standards, economic development, social wellbeing and national defense capacity. Depending on what we will have accomplished on these tracks, we will think about the arrangements for the presidential election campaign in 2018 and who should participate in it. I have not made my mind yet.

**John Micklethwait:** Do you think Russia is getting easier to run or harder?

**Vladimir Putin:** Easier than when? In the days of Ivan the Terrible or Nicholas II, or maybe Brezhnev, Khrushchev or Stalin?

**John Micklethwait:** In your time.

**Vladimir Putin:** I think it has become harder because, even though we face harsh criticism coming mainly from our Western partners, the internal democracy has been developing in our country. For example, there will be much more political parties participating in the upcoming elections than in previous years. This will, undoubtedly, influence the process and outcomes of election campaigns.

I mean there is a practical dimension to it. Now, looking at the rating of the leading Russian political party – the United Russia – we can see that it has slightly fallen. So, many people start to question: Is there anything wrong? What happened? Nothing happened. It is just that an active election campaign has started, so all these numerous parties participating in the election process appear on the screen, in media, in newspapers.

What is their message? They all criticize the government. They don't offer solutions to make things better, though. Sometimes they simply say things that even laymen realize are hardly practicable or just unfeasible. However, they look good on screen, scolding and holding up to shame members of the ruling party. They don't say whether they are ready to take on responsibility for making unpopular, but in the long run necessary, decisions.

**John Micklethwait:** Are you envious of the Chinese who don't have to go through these elections?

**Vladimir Putin:** China has another political system, it is a different country. I am sure, you will not be happy to see one and a half billion people suffering any disruption in their society and government. So, let China have its right and possibility to decide how it should organize its state and society. Russia is a different country, with different ways and different level of political system development. It is not even about the level, it is about the quality of the political system, which is developing and getting more complicated.

As a matter of fact, I am happy about it. I want to see this system grow stronger in future, to see balance within the political system, so that it could always be effective and oriented to development.

**John Micklethwait:** Would you have an exit strategy? In 2018 you would have been the longest serving president. Do you have an idea about how eventually you will leave power?

**Vladimir Putin:** I either will or will not take part in the elections. If I do not, another person will be elected head of state, President of Russia. The people will decide for whom they should vote.

Yet I would like to underscore that in any case already today we (and by that I mean myself and the members of my team: the Government and the Administration of the President) should shape our vision of how the country should develop and what political, internal political and economic processes should take place. That is why we are working on a strategy to develop the economy (primarily the economy, certainly) after 2018.

I am convinced that irrespective of the way in which internal political processes develop we should offer the country our vision of its economic development. And it will be up to the next president to agree or disagree with what we have offered, to update it or to offer something completely different.

**John Micklethwait:** You've just reorganized part of your government, you promoted some people, some former bodyguards and people like that. Do you think that might be the sort of area where the next leader for Russia will come? Will it come from the younger generation of people who are beginning to emerge?

**Vladimir Putin:** Certainly. I believe that the next Russian leader should be a fairly young yet mature person.

As for the members of various special services and the Armed Forces, there is nothing new in what I have done. It has not been the first time when former members of the Ministry of Defense, Federal Security Service have been promoted to head our regions. The Federal Protection Service is no exception; they are just as good as the others. If a person is willing to develop, is capable of developing, and is ready to serve his country in an office with greater powers and responsibilities, and I can see that such person has potential, why not? They can work.

After all, regional leaders will also have to go through elections and put forward proposals for the people of the regions in question to judge. The people in these regions need to look at these programmes, study them, get themselves familiar with those persons. There should be certain chemistry between the leader of the region and the people that live there. People

should feel their possible new leader and I believe that they have to trust such leader in order to vote for him or her, otherwise they would not vote.

**John Micklethwait:** People might say there are two ways in which Russia is very difficult to rule. One is it is a very personal system, where many people vote for you rather than for party. And the other reason is Russian is still a fairly lawless place. You have things like murder of Boris Nemtsov which I know you condemned and you have brought people in, but the mastermind is still being sought. Is Russia a very very hard place to govern at the moment?

**Vladimir Putin:** You know, I may assure you that it is hard to govern any country. Would you say that governing the United States is an easy task? Is it easy to address even uncomplicated matters? The Guantanamo detention camp, for example? During his first term President Obama said that he would shut it down. Yet it is still there. Why? Is it that he does not want to? Certainly he does. I am confident that he does. Yet there emerge thousands of obstacles that prevent him from resolving this issue. In fact, this is indeed awful, but that is a different story. It is hard to govern any country, even a very small one.

It is not a matter of whether the country is large or small. It is rather a matter of one's attitude to the task, of whether one takes this task responsibly.

Russia is also hard to govern. Yet Russia is at a stage when its political system and market economy are shaped. It is a complicated yet very intriguing process. Indeed, Russia is not merely a large country, it is a great country that has distinct traditions and culture. It is true, it also has distinct political traditions. It is no secret that we used to have absolute monarchy, then came the times of communist rule, the base somewhat expanded, yet to a certain extent the system of the government became even more rigid.

We started building a completely new multi-party political system only in the 1990s. This is a very complex process and there are certain stages that cannot be skipped. Our citizens should get accustomed to this, feel their responsibility when they arrive at the polling stations. They should learn to question populist solutions, deliberations or candidates' mutual accusations.

They should watch attentively and analyze what candidates have to offer. This concerns both the parliamentary and presidential elections. By the way, in countries with a presidential form of governance people often vote for the presidential candidate rather than the political party. This is true of virtually any such country, and there is nothing unusual in Russia in this context.

**John Micklethwait:** Surely if you look at Chechnya and, say, the influence of someone like Ramzan Kadyrov. He has a very full reign, it does not seem if he is brought under power much. That is completely different to what would happen in say Mississippi or Tennessee. That is a different system, what is happening in Chechnya. Surely that is different. It is more lawless and it is more personal.

**Vladimir Putin:** That might be viewed from a different angle. One should not forget that it was not long ago that people were openly bought and sold on the markets, members of international terrorist organizations, including al-Qaeda ruled and people were beheaded in Chechnya. We by no means have forgotten that. The very Ramzan Kadyrov that is the leader of Chechnya today fought against the Federal troops during the so-called First Chechen War. This was a very complex and large transformation, indeed, when first his father, the first president of Chechnya and then he himself realized that Chechnya's future was linked to that of Russia. This choice was not a result of any pressure, but rather their internal conviction.

I remember perfectly well my first conversations with Ramzan Kadyrov's father, first President of Chechnya. He told me bluntly – and at that time, in 1999, I was the Premier – that "we see that the future of Chechnya can not be dissociated from Russia. Otherwise, we will become dependent on the powerful and therefore we will feel worse. But the most important thing – which I also remember very well – is that you should never betray us."

It was a very complex situation back then. The federal centre was behaving incoherently – either it advanced or retreated, either it agreed with something or broke agreements afterwards. The Chechen people needed a consistent and clear position of the central authorities of the country. But we should not forget the transformations that these people have undergone. We have signed a treaty with Chechnya and it is fully in line with the Constitution of the Russian Federation. We have a federal State and the federal entities are granted certain rights and the example of Chechnya demonstrates that this does not destroy or ruin the country, but, on the contrary, unites it.

Of course, many things require improvement and to a large extent need to forget these tragic events of the mid 1990s and finally heal our wounds. But all this takes time.

I am sure that we will strengthen our internal political institutions and economy and I have no doubts about it. I believe that Russia has already turned the most tragic pages of its history. We will only go ahead and grow stronger.

**John Micklethwait:** A personal thing. You've managed to rule Russia for 16 years. If you look at the chief executives and the business people who tune in to Bloomberg and watch it, very few of them last longer than 5–6 years, what advice would you give them to hang on to their jobs for longer?

**Vladimir Putin:** No matter how strange it would sound but one should not cling to power at any price. I have not, as you put it, just been in power for 16 years, I was the President of the Russian Federation for eight years and after that, without violating the Constitution or readjusting it to my own needs, I just decided not to run for the third presidential term, which was impossible; within the framework of the current Constitution. Our Constitution stipulates that one can be elected for two terms running. So I followed the rules: I was elected two times and then I just left and changed my job – I have worked as the Chairman of the Government

for four years. In accordance with the Constitution, when I regained this right in four years, I run for the presidency, I was elected and I am the President now.

So we do not speak about 16 years, but rather about four, four and eight years, and now I serve my four-year term. I have been working as President for 12 years.

**John Micklethwait:** What is the reason for your success?

**Vladimir Putin:** Wait a minute. As for the time spent in office, let us say, Canada is one of the examples. I believe that its leader has spent 16 years in power. And the German Chancellor, for how much time has she stayed in power? If we refer to the number one in the executive power.

**John Micklethwait:** Not 16 years. You have done longer than most.

**Vladimir Putin:** I have not been President for 16 years, but for 12 years. I suppose that she has been in power not for fewer years.

But this is not about it. I do not know what secrets can exist here. I do not have any secrets. I just always try to feel the spirits of the people, feel their needs, their mood for patterns and methods of solving the tasks, their priorities and I am guided by all this in the first place. I believe that it is the most important aspect in the job of any person who does the kind of work that the Russian people have entrusted me.

**John Micklethwait:** You look around the world at the moment. There are so many countries that become dynasties — the Clintons, the Bushes in America. You have children who you successfully kept out of the public eye. Would you ever want your daughters to go into politics? Would want them to have the same life as you?

**Vladimir Putin:** I do not regard that I have the right to wish something for them. They are young, but nevertheless they are adults and should determine their future by themselves. In general, as I see it, they have already chosen their way, they pursue science and they are engaged in some activities that are noble and needed by people. They feel in demand, they enjoy their work and I am happy about it. They are responsible and honest about the profession they have chosen for themselves.

**John Micklethwait:** When I flew here on Korean airlines I had a choice of two films to watch: one was Doctor Zhivago, and the other was the Godfather. Which would you recommend to somebody trying to understand Russia?

**Vladimir Putin:** I do not know. You see, we have a famous poem, which goes: "You will not grasp her with your mind or cover with a common label, for Russia is one of a kind – believe in her, if you are able".

But the Russian culture is multifaceted and diverse. That is why if you want to understand, to feel Russia, you should certainly read books – Tolstoy, Chekhov, Gogol, Turgenev – listen to Tchaikovsky's music and watch our classical ballet. But the most important thing that one should talk to people. I assure you: as soon as you start to meet average ordinary people you will understand that Russians, whether they are Tatars, Mordovians, Chechens, Dagestanis, are very open-hearted people. They are open and a bit naive.

But there is one characteristic feature which many nations must have but it is particularly evident in Russians. It is a pursuit of justice. It seems to me that it is one of the dominant features in the Russian mentality. And another component of the Russian mentality is a pursuit of some... This is a common feature, there are millions of people and all people are different from each other, but on the average we certainly want to be well off and I will strive to do my best for people to live better and to improve the living standards. Notwithstanding all this, there is a pursuit of some high moral ideal, some moral values in Russian people's mentality and heart. This is the thing that for sure – and I convinced of it – is our positive distinctive feature.

**John Micklethwait:** Ok then, that sounds like Doctor Zhivago to me.

President Putin, I thank you for talking to us. You were so generous to devote your time to us.

**Vladimir Putin:** Thank you very much.

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*Source: <http://en.kremlin.ru/events/president/news/52830>*