
News conference following APEC Leaders' Week

9 September 2012, 10:00, Vladivostok



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During news conference following APEC Leaders' Week.

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PRESIDENT OF RUSSIA VLADIMIR PUTIN: Good afternoon.

Thank you, ladies and gentlemen.

I will make a short statement and then will try to answer your questions.

First of all I would like to thank our colleagues and guests for the teamwork. During the APEC Leaders' Week plenary sessions and in bilateral meetings held over these past days, we have felt the business-like approach of all our colleagues, their openness to constructive dialogue and an interest in the common cooperation goals within APEC.

Unfortunately, as you know, a great tragedy occurred in China: there was an earthquake that resulted in loss of life and left many injured. Once again I want to express my condolences on behalf of the Russian leadership and all Russian people to the families of those killed and wish a speedy recovery to the injured.

I witnessed the distress the President of China, our friend Mr Hu Jintao, felt about these events and saw him turn his attention to this problem almost hourly in addition to addressing the current issues on our agenda. But that is life.

Extensive cooperation with our neighbours in the Asia-Pacific region is one of Russia's foreign policy priorities. Our motto for APEC presidency is "Integration for development, innovation in the interest of prosperity." Our goal was to build the logic of the Russian presidency in accordance with present and future needs. We wanted to identify the points of shared efforts that can strengthen the APEC economies' leading role in the global economy and to generate additional factors for sustainable growth.

We believe that we have reached all the goals set for the APEC Leaders' Week in Vladivostok. We have managed not only to preserve the continuity of efforts, but also to identify new horizons

and, most importantly, to give a positive signal to the business community. I must say that our US colleagues were not mistaken when they conceived this forum many years ago. It was an absolutely right and highly beneficial initiative, and over the past few days we have seen once again that it is a very useful venue for exchanging ideas and finding solutions to the challenges we face.

The Declaration of the APEC economies' leaders is the main result of the summit. It reflects the forum's achievements made during the Russian presidency and states the agenda for the future. APEC was initially created primarily to promote mutual trade and investment. The forum's philosophy is to remove barriers, and promote open markets and private competition. Russia considered it important to intensify joint efforts to advance this process. This is especially true now, when we are all interested in the global economy overcoming the threat of recession and entering the path of sustainable growth and long-term recovery. The APEC Leaders' Week in Vladivostok reaffirmed the commitment of APEC economies to the basic principles of free trade and integration.

Russia has also proposed to organise the monitoring of environmental policy measures that impede trade. An important achievement was the adoption of a list of environmental goods. Work on implementing the agreements to reduce tariffs on environmental goods was not easy, but in the end we managed to reach agreement on a very representative list of such goods, which includes 54 items, or 54 commodity groups. I want to note, ladies and gentlemen, that this result has not been achieved in the 10 years of World Trade Organization's efforts. We have managed to do it in the recent months. In fact, the work on bringing this list to its conclusion, before final approval, was done right here, in our meeting.

It is also vitally important that the APEC leaders unanimously called for further deepening regional economic integration. Russia intends to actively participate in these processes, including in drafting free trade agreements. The APEC leaders recognised the importance of maximum transparency in the formation of regional bilateral and multilateral agreements on free trade zones. On our initiative a so-called model chapter has been drafted and approved to be included in this type of agreements. It requires advance disclosure of the essence of preferential agreements. When we joined the World Trade Organisation, we agreed and promised to disclose such information. We believe that it would be beneficial in setting up free trade zones if the participants in this process immediately gave full information about the conditions of the zones' operation.

The development of regional economic integration is Russia's strategic choice. We will put it into action based on the agreed interests of our partners in the Customs Union and Common Economic Space and in line with the prospects of forming the Eurasian Economic Union. I want to note, and I have already spoken about this publicly, that at the APEC Leaders' Week in Vladivostok we did not represent only Russia's interests and approaches but relied on the consensus position of three states: Russia, Kazakhstan and Belarus. Incidentally, and you have heard about this too, some APEC economies are showing an interest in building a special relationship within the framework of free trade zones with the Customs Union and the Common Economic Space. Talks on these issues have already reached the practical realisation stage with some of such countries. We also believe that the coordination of integration efforts in Eurasia and the Asia-Pacific region will be beneficial for all, and in the future we can talk about building a fruitful dialogue between the emerging Eurasian Economic Union and APEC, with the involvement of other regional associations.

During the Leaders' Week, we reaffirmed the importance of taking joint steps to improve supply chains and to eliminate the remaining stumbling blocks that limit the flow of goods. We suggest using our country's transit potential to diversify regional and global supply chains and to create

new, shorter, more profitable routes that will link the Asia-Pacific and Europe across both the continental regions of Russia and through the Northern Sea Route.

In discussing investment cooperation, we noted the need to share best practices to protect investments. This is yet another topic that we addressed. A review of such practices has been made, and they will be implemented in all APEC economies.

Another significant area of our work is food security. Our partners endorsed the Russian proposals aimed at enhancing the food markets' stability, and expanding access to food for more vulnerable social groups. We spoke about the need to attract investments and to introduce innovative technologies to agriculture, and to combat the illegal production and trafficking of marine bioresources. Incidentally, the Japanese Prime Minister and I agreed to sign an anti-poaching agreement at the G20 Summit in Los Cabos, Mexico. This is a very sensitive and important issue for us and for our Japanese partners. I note with satisfaction that we did sign such an agreement during the APEC Leaders' Week.

All APEC economies are future-oriented, as we recognize that innovations hold the key to the future. We are in favour of establishing the Common Educational Space, and building comprehensive cooperation between the relevant agencies, research centres, educational institutions and the business community.

APEC's achievements in 2012 include initiatives to ensure closer cooperation between governments and businesses, and creating public-private policy partnerships in spheres such as innovation and food security.

On the eve of the APEC Leaders' Week, we held substantial discussions with the members of the International Confederation of Trade Unions' Asia-Pacific network. I took part in one meeting myself in Moscow just recently. We discussed constructive and useful proposals. In particular, we spoke about how the global crisis impacts the labour market. We discussed the social responsibility of the state and businesses.

Trade unions would like to have greater influence on the work of APEC and to take part in drafting the final resolution. I have kept my promise to our trade union colleagues and informed the leaders' meeting participants today about this initiative. We agreed to build closer cooperation with trade union leaders. The Indonesian chairmanship in APEC will not only take on board their desire for greater cooperation, but also host ministerial meetings for Labour Ministers. Thus, trade unions will have a genuine influence on the APEC agenda and outcome documents.

Russia is prepared to share its experience on issues such as the preservation of biodiversity and combating the trafficking of endangered species with the Asia-Pacific. Our partners have shown a strong interest in programmes and projects to protect endangered species, and not only the tiger and the leopard but other animals as well. We see significant potential for cooperation. Environmental protection issues sometimes have marked economic aspects. For example, we must focus on clearing border riverbeds, and monitor their environmental status. This is an important problem that has a strong economic dimension.

During the Russian chairmanship of APEC, we held over 100 different events. We hope that they not only demonstrated Russia's technological and investment potential to our partners, but also helped them learn more about our culture, traditions and people. We have shown through our actions our adherence to the APEC ideals and goals. We are ready to continue constructive cooperation with our partners.

In 2013, the chairmanship will pass to Indonesia. We welcome our Indonesian colleagues and friends, and wish them every success and fruitful work.

In conclusion, I would like to give special thanks to the people of Vladivostok, and the Primorye Territory. Thank you, dear friends, for your hospitality, for the warm reception and your great contribution toward the preparations for the APEC Leaders' Week. This forum's success is our common success – the success of Vladivostok and the people of the region.

We will certainly continue developing and improving the living conditions in the Far East. We will do this with the active involvement of our people, and will tap the new opportunities that integration and partnership with our Asia-Pacific neighbours open up.

This concludes my opening remarks. Your questions, please.

QUESTION: I think it would be logical to ask the first question about the summit. During the Leaders' Week, we often heard opinions from the media, delegation members and heads of states, but I would like to hear your view as a host leader. Did you enjoy the Leaders' Meeting? Not just the substance, but in terms of conditions and organisation.

VLADIMIR PUTIN: I did indeed, first because our guests were very interesting, and our conversations were very constructive and enjoyable. They are true leaders of their countries and top experts in economics and politics. Communication with such people is always enriching. The approach to our work was very constructive and our guests, the leaders of APEC economies, greatly appreciated our idea to host the APEC Leaders' Week not in a five-star hotel, but on a university campus. They appreciated our use of public resources not to construct palaces for such meetings, but instead to build a new, top international level federal education and research centre. They really enjoyed being the first guests at these premises.

In terms of substance, I would like to note that all of us – my colleagues, members of the Russian Government Cabinet, and I – were the hosts, but we also acted based on the spirit and the wishes of our APEC partners to discuss the issues that are most important and relevant to all of us at this moment in time.

So, once again, the venue and the working conditions have been very practical, though a little modest, but decent, meeting modern requirements, including in terms of technology, equipment and design.

I want to thank everyone who worked to prepare the Leaders' Week: technical experts, builders and volunteers. However, if I am not mistaken, I will have an opportunity to meet with everyone and to thank them because their work was very important. And this was noticed by the guests. I want to stress this: they noticed it and they asked me to convey their gratitude.

Nevertheless, the most important aspect was the substance of our work, which was constructive and we have achieved specific results. I am fully satisfied with the outcome.

QUESTION: Mr President, during the Leaders' Meeting, you spoke a great deal about free trade and protectionism. At the same time, Russia and its major trading partner, the EU, often engage in a kind of cold trade war. In this respect, how could you comment on the European Commission's investigation regarding Gazprom and the statements that we are hearing from European officials who say that Russia should abolish car-disposal fee and lift certain import duties? Will Russia take steps in response and are you going to employ WTO mechanisms to achieve them?

VLADIMIR PUTIN: I would disagree with your assessment of our relations with the EU. Our relations are very constructive, very positive, and there are no trade wars or any hostilities. The investigation of Gazprom is nothing new. Last year, Gazprom offices abroad were searched. This was the second step in the investigation. We regret that this is happening. What do I believe is behind these actions? There are several reasons, the main of which is the economic crisis in the eurozone.

As I understand it, the main problem is in Eastern Europe. I have not been fully informed on all the details of the situation yet.

What is the problem? The problem is that all these states joined the European Union and the EU committed to subsidise their economies. And to a large extent, the EU subsidises the economies of Eastern European countries. Now it seems someone in the EU has decided to shift part of the burden, some of the subsidies, onto us. United Europe wants to preserve its political influence but it wants us to pay for it. This is not constructive. That is the first point.

Second, there are technological reasons. Back in the Soviet days when the Eastern Bloc existed, the Soviet Union used to supply energy to these countries at non-market prices. You could not describe this as being part of market-driven relations. Later on, we started to apply market principles in our relations and the pricing formula changed to become market-oriented. I believe that we need to be guided by today's realities. Modern Russia never committed to and was not planning on undertaking additional commitments that would help regulate the economies of these countries through the use of non-market measures. That is the second point.

Third, we have had certain pricing principles in place for decades, and they are written in long-term contracts. No one ever questioned these principles. I know that during a crisis there is a strong temptation to shift the financial burden onto someone. However, once again, we do not believe that this approach is constructive. I sincerely hope that through business-oriented, friendly dialogue - I want to highlight that - between our economic entities, Russian companies and the European Commission will find solutions and a way out of this situation without damages for either party.

QUESTION: Good afternoon, Mr President. According to various estimates, the preparation costs for the Leaders' Week were 600-700 billion rubles. Do you think such an investment in the Primorye economy was wasteful, and will it be justified in the future?

VLADIMIR PUTIN: I really don't know what to tell you right now. How could I answer this question? I hope you don't mind me asking but what are you talking about? What 600 billion? 300 billion of this amount were used to build a gas pipeline system running from Sakhalin to Vladivostok. Let me emphasise that it is not even an export pipeline – it is a gas transportation system to supply gas to the Primorye Territory. What does this have to do with the preparations for the APEC Leaders' Week? Maybe, to a certain extent, it has to do with that, but the goal is to supply gas to the region. That is the first point.

The second point is that we have built utility and water supply systems. We have expanded the airport runway. We have built new fuelling facility, a new airport passenger terminal, three roads and three bridges. We invested in other infrastructure facilities that have nothing to do with Russky Island. They have to do with Vladivostok and the Primorye Territory.

Some things may seem less obvious but the people who live in Vladivostok know what was happening to the bay here for decades, and what types of sediments have accumulated on the shores and on the seabed. To make the ocean clean itself, we had to build a system of sewers, although this need may not have been immediately apparent. We invested in such infrastructure projects which will help us to develop the region in the long term.

As for the airport, I was told more than once that it is not expedient to build such a huge runway because there are not so many flights operating from here. However, I am confident that there will be more and more flights as new infrastructure is built, and soon this runway will no longer be able to handle all the traffic. This is where we invested most of the funds.

Speaking about the preparations for the Leaders' Week, most of the funding was used to build this campus. However, we all understand that any venue could have been chosen for the Leaders' Week and it could have been much cheaper. However, there would not have been any Federal

University. We would not have created such a strong intellectual centre in the Russian Far East. I think that we should make such investments to implement these kinds of projects. Speaking about the development of Eastern Siberia and the Far East, we should start with creating an intellectual foundation, and this requires the necessary funds. I am convinced that these projects will be accomplished in the future.

Our major goal now is adding intellectual substance to these walls. However, we are not starting from scratch here. We already have the Far East Federal University. On this basis, we can attract experts from around the world and set other large-scale goals.

Another expense incurred due to the preparations for the Leaders' Week has been providing security for the event. However, most of the money was spent on buying equipment for the special services and the law enforcement agencies. How will this equipment be used? Will be discarded? No, it will be used by these various agencies and services. They will be used to hold the Universiad in Kazan, the Olympic Games in Sochi, and for organising the G8 and G20 in other Russian regions. Nothing was spent in vain.

The APEC Leaders' Week has left us a large heritage. Certain funds had to be invested in organisational arrangements. However, I think that these costs were kept at a minimum, and the total costs are fully justified.

QUESTION: Mr President, thank you for your condolences in connection with the earthquake in China.

To which sectors will Russia attract investments from China to develop the Far East? Also, a lot of young people in the Far East want to leave this region. What measures does the Government take to encourage them to stay? Thank you.

VLADIMIR PUTIN: As for spheres that could attract foreign investments, including from China, they are very diverse. First and foremost, we would like, as I have mentioned, to work with our partners, including our Chinese partners, on new and innovative technologies, on the technologies of the future.

Let me draw your attention to the fact that the Far East includes clusters that were created long ago and that have certain capabilities for growth. These clusters are being built anew or revitalised. Let's take a look at shipbuilding cluster. Incidentally, one of the shipbuilding companies there is created with the participation of Chinese capital. I think they are working through a Hong Kong-based company but it is a Chinese investment and we know that. The second such enterprise is going to open with the participation of Korean capital. This is the first sphere.

There is also the potential to set up aviation equipment manufacturing companies. Now, together with our Chinese partners, we are considering working in two areas of aviation manufacturing. First of all, this concerns the creation of a large helicopter based on Russian technology. This helicopter was lauded by our Chinese colleagues, as it was used in the rescue operations following a major earthquake a couple of years ago. These are the largest helicopters in the world in terms of load bearing capacity. They can lift 20 tons. We supplied them to China and they conducted a very successful rescue operation. Our Chinese colleagues immediately expressed an interest in designing a new generation of helicopters with a similar load bearing capacity. We are currently working very successfully together and we could think about establishing another manufacturing facility here in the Far East.

Third, we are designing a wide-bodied aircraft with China. We know that this task is tough. Two companies – EADS and the US Boeing – dominate this market. However, we must do our best to find our niche based on open, honest competition. Russia's technological capabilities and China's financial and intellectual resources give reason to believe that we will cope with this task.

Finally, there are traditional areas, such as the energy sector. I should say that some of Russia's nuclear facilities are located in Siberia. You know how active the Russian Federation is in China. We count on future cooperation – not only in production, but also in science. We have the Siberian branch of the Russian Academy of Sciences, where specialists are actively involved in promoting innovative technologies. I hope that our experts will pay particular attention to this issue in the Far East and here at this new educational centre.

Speaking about hydrocarbons and the energy sector as a whole, I would just like to mention that there are huge opportunities for the growth.

QUESTION: Mr President, you have said more than once that Europe is our major trade and economic partner. However, due to the current situation in the eurozone and the recession in Europe, don't you think that we should shift the accent on the development of our trade economic relations to the Asia-Pacific region, at least partially? Again, taking into account the problems in the eurozone don't you think we should reduce the Russian reserves in the euro and keep these reserves in rubles or some other currencies?

VLADIMIR PUTIN: You asked two different questions. To answer your question about shifting the balance toward the Asia-Pacific region, I think nothing should be created artificially. This process is actually happening by itself. Russia's trade with Europe accounts for 51% of the whole, while its trade with the Asia-Pacific region makes up 24%. However, with economic growth in the Asia-Pacific, Russia's trade with this region will also increase.

This doesn't mean that we should stay idle and just watch as things unfold. We understand these processes and should adapt to them. Are we preparing for this? Yes, we are. How? We are expanding infrastructure capabilities. We are expanding the throughput capabilities of the Trans-Siberian Railroad and the Baikal Amur Mainline. We are completing construction works on the Kuznetsovsky Tunnel, we are going to expand the region's port economy, and so on.

We will develop our energy industry, including hydropower, in order to create industrial clusters on our territory. A lot of work will be done and we are going to move in that direction. This is a key priority for Russia's development as a whole and for the development of this region.

As for the eurozone, I can say that there are serious problems. We talked about them at length during our working lunch. Ms Lagarde [Christine Lagarde, Managing Director of the International Monetary Fund] made a report on this issue and we had a lively discussion. Different points of view were expressed, and sometimes they were contradictory. We discussed the future of the eurozone, as our focus has traditionally been on the European continent and the situation there can affect us. I sincerely hope that our European partners will overcome the difficulties that they face today and I wish them success in this work.

QUESTION: Mr President, many official events took place during the APEC Leaders' Week, but there were also some informal meetings. For example, on September 7, Igor Sechin celebrated his birthday.

VLADIMIR PUTIN: This is an important issue on our agenda...

QUESTION: But it was part of the summit. I am sure you were invited to the event. What did you give him as a gift and how was the party? Thank you.

VLADIMIR PUTIN: I was not invited to the celebration. If it took place, you know more than I do. In that case, I would like to ask you where it took place and who was there. Mr Sechin did not invite me – too bad for him. You asked me what I gave him but now I feel guilty because I did not give him a present. Now I will have to give him something, because I should say that Mr Sechin is very efficient in his work and he deserves a present.

QUESTION: Mr President, you had over 10 bilateral meetings on the sidelines of the Leaders' Week. What were the results of these talks? In particular, you spoke with [US Secretary of State]

Hillary Clinton. What did you discuss? Did she tell you about the domestic political situation in the United States, as the election campaigns are underway?

VLADIMIR PUTIN: You know, even if she told me something about the domestic political situation, I do not feel entitled to relay the story, even to such a respected audience. You should ask Madame Secretary and other members of the Administration, and they will tell members of the media what they think they can, especially when it comes to such sensitive issues. Indeed, we had a brief meeting on the summit's sidelines. We spoke for about 15-20 minutes. It was a constructive conversation on our bilateral relations, trade, economic links and some political issues.

We also talked about the situation in hotspots in the world, in the Middle East, in Asia. It was a constructive, business-like conversation. I do not think that now is the time to go into details about this discussion because no decisions were reached. No agreements were made, but it was a useful dialogue. We just shared our positions on certain issues. I think that such talks are useful as they allow us to better understand each other and pave the way to joint solutions in the future.

QUESTION: Mr President, you had a bilateral meeting with Japanese Prime Minister Yoshihiko Noda yesterday. What is your assessment of that meeting, and what opportunities and potential do you see for long-term Russian-Japanese cooperation in the region in economic development and jointly strengthening both countries' security?

VLADIMIR PUTIN: Japan is one of our longstanding partners, one of our key partners in the region. We know the Japanese economy's potential. We know the problems too, but we know the potential for development. We want to develop relations with your country and settle the problems we have inherited from the past. Of course we discussed these things at yesterday's meeting.

We discussed what we can do over the coming period and agreed that the Japanese Prime Minister will visit Russia so as to discuss all of these matters in more detail and in quieter and more concentrated fashion than is possible on the summit's sidelines.

Our talks focused primarily on the economy. We discussed opportunities for Japanese investment in Russia, Russian investment in Japan and the creation of joint production facilities and companies with 100 percent Japanese capital.

Overall, as I understood it, Prime Minister Noda said that Japanese business is happy with the way its activities in Russia are going, and this includes various regions and different parts of our country. Japanese business is working in European Russia in the Northeast, and Mazda has just opened a car assembly plant here, the company's first enterprise abroad. Toyota is working actively, and Japanese business is working well in other sectors too.

Understandably, after the Fukushima tragedy and the problems it has caused, our colleagues are particularly interested in Russia's energy sector opportunities. We agreed to expand our cooperation in this sector. Yesterday, Gazprom signed an agreement on liquefied gas with our Japanese partners. This project has every chance of becoming a very big international undertaking, seeing as Japan is a big energy consumer and does not have energy resources of its own, but we are ready to provide a shoulder to lean on for Japan in this sector, all the more so as our cooperation is based purely on market principles. We and our Japanese partners are both happy with the way work is progressing on Sakhalin. We will expand our cooperation in all different areas.

As I already mentioned, one very important point is that when we met in Los Cabos, the Prime Minister and I agreed to sign an agreement on fishing and preventing poaching, and we signed it yesterday, thus carrying out our word. This is a very sensitive area that requires a lot of joint work. We have been holding many talks on fishing not just with our Japanese partners but also with our friends from the Republic of Korea. We offer fishing quotas, but we make no secret of

the fact that – and I therefore think it only right to say this here with the media present – we insist that the granting of quotas be linked to construction of processing facilities on Russian soil. Overall, I think we have established an understanding that this is a fair solution to the issue.

QUESTION: Mr President, my question is not about APEC. I want to ask about cranes.

VLADIMIR PUTIN: About cranes?

QUESTION: Yes, about the ones you guided towards warmer southern climes. This has been a hot topic in the internet. What is your attitude to the rather large number of acerbic comments made? It has become the subject of all kinds of comments and jokes.

VLADIMIR PUTIN: What is there to say? Maybe they could give it a try themselves.

QUESTION: Yes, maybe. I don't know if you are aware or not, but your consistent opponent Ksenia Sobchak, for example, transposed the whole thing to the [Russian 2012] presidential election results and said that 63 percent of the cranes followed Putin, the rest preferred to fly south, and only a small portion stayed behind to build nests on the squares and boulevards. I think there's a grain of truth in these words, Mr President. Not all the cranes followed Putin. That's my question, if you'd answer. Thank you.

VLADIMIR PUTIN: I even hear some applause.

Yes, it's true that not all the cranes followed immediately. Only the weak ones did not fly at once, but that was only the first round. On the second attempt they all flew. I have to be honest here and admit that the fact that not all of the cranes flew at once was partly the leader and pilot's fault for gathering altitude and speed so fast that they simply couldn't keep up. But this too only partly explains the situation. The simple fact of the matter is that in some circumstances such as bad weather or a strong side wind, for example, the pilot has no choice but to gather speed and altitude fast, otherwise the machine might overturn. What else can I add? There are of course birds that do not fly in flocks and prefer to build their nests apart from the others. What can one do? That's a whole different problem. In any case, even if they are not part of the flock, they are still part of our population, and we need to look after them as much as we can.

QUESTION: Mr President, I have been in this profession a long time now and wish to thank in your person the summit's organisers for the conditions we were offered here. I have plenty to compare it with, and you have really done an excellent job.

As someone from the Far East, I love this region and don't want to leave it. We have a dream out here that our huge region, from Lake Baikal to the Bering Strait, will have a special status someday. To put this in clearer terms, what I have in mind is a return to the system of bonus payments for working in the Far East and northern regions, tax holidays for new companies or companies working on innovation and new developments, and customs breaks for companies importing equipment for resource extraction and processing. What is your position on this idea?

VLADIMIR PUTIN: We are always discussing these issues and reflecting on how to create the best conditions for these regions' rapid development. It looks a very tempting solution to set up free economic zones in these huge regions, but knowing our people's talents, there is the risk that the whole Russian economy would then re-register here.

There are other options. We talked about this yesterday with Elvira Nabiullina [Presidential Aide and former Economic Development Minister]. One option is to offer breaks for greenfield projects. This is something we will be looking at, and I will ask the Government to draft and present proposals. There are other possibilities too. I think that it is too early at this point to discuss them all publicly, since only things that have actually been planned and agreed can really be discussed publicly.

As you know, we gave Eastern Siberia a zero rate for the mineral extraction tax, given the absence of energy supply and proper infrastructure and the high extraction costs there. Something similar needs to be done in other sectors, including the hi-tech sector. We need to offer favourable conditions for greenfield ventures, for example. There are other instruments that

we are also considering. By the way, the Far East development programme is one of the few regional development programmes we have, and we will certainly continue it.

Let's start winding up now.

QUESTION: Mr President, this question follows on from what was just said. The kinds of projects you are talking about need investors. You had a chance to talk with businesspeople at the Business summit and during the Business Advisory Council meeting. What is the mood among them in your view? Are they more optimistic or more pessimistic about the situation in the global economy in general, and in the Russian economy in particular? And as for the projects being discussed, will they just stay on the drawing board, or will they actually be carried out?

VLADIMIR PUTIN: The APEC summits do not usually discuss actual concrete projects. Rather, the APEC summits take place so as to give everyone a chance to exchange views and coordinate policy on the region's most pressing problems, set against the global economic context. It is a chance to assess the mood of our colleagues from the Asia-Pacific region. I must say that there is a sense of concern of course about developments in the global economy, especially given the sizeable problems in Europe and the USA. We see that the problems are all of a similar nature. But as we have all said often enough, and the media has repeated too, this part of the world, the Asia-Pacific region, is the global economy's engine. The eurozone is showing potential zero growth or even recession, but this region continues to develop and show substantial growth rates. True, there has been a slowdown, but growth continues nonetheless. Overall, the economies' leaders are happy with the situation, and developments in the region set us in a more optimistic frame of mind.

We discussed the situation in the global economy today. One of my colleagues – he can name himself if he wishes – said something that has a lot of truth in it. He said that the eurozone's problems are not so much economic in nature as political. I think this is a correct assessment, because they have there a political system that offers a very high level of social protection, but in its present state simply cannot keep up with the ever-growing demands on it, and this places a very heavy burden on the European economy.

This burden is considerably lighter in the Asia-Pacific region. There is not the same burden of paternalism here as in Europe. Economic actors here are aware of their social and economic responsibilities. This is a very important psychological factor, an important economic and political factor. Of course, this is just to give some very broad outlines, and in reality there are many more problems. But to answer your question, let me stress once more that the mood is more positive on the whole in the region. I would call it cautiously optimistic. Thank you everyone.

Ok, you've already raised your hand, but please, no more questions after this otherwise I'll have a hard time leaving.

Go ahead with your question.

QUESTION: Mr President, I want to thank you for the organisation of everything here on Russky Island. It all made a big and decent impression. Did you get a chance to look around Vladivostok at all? If you did, you'd have noticed that the facades of buildings along the main roads have been freshly painted, and barracks have been covered with netting, so that passing delegates won't see them. There are quite a few such cases throughout the city. Together with our film crew we stayed not here on the island, but in the town, and so we saw this every day and heard the local people's complaints. What is your reaction? Will you allocate federal funding for developing the city and its infrastructure? You see, investors could get frightened off if they start feeling curious, take a wander around and see things in their present state.

VLADIMIR PUTIN: That is an excellent question. Thank you for putting it. I should have said something on this issue myself. Why do I say it is a good question? Let me repeat a few things I have already said on this matter.

For a long time, Vladivostok and the surrounding area was a closed city. It was not even fully a city in a way, but was really a naval base that was closed to foreigners. There was no social infrastructure development here. This situation went on for decades. What was built was modest right from the outset, and with the passage of time it all ended up in a sorry state. The work that has begun now is just the first steps in trying to radically change the situation. It was not enough just to open the city to the outside world; we also had to develop it. Vladivostok's geographical location and importance for the future of Russia and this region makes this development essential. This was why we decided to hold the APEC summit not in St Petersburg or in Moscow, as we easily could have done, but in the Asian part of Russia, here in Vladivostok, so as to give impetus to developing the city and its infrastructure.

Of course, what has been done so far is only the first steps on the road to reviving and developing Vladivostok and the entire Primorye Territory. Even here on the island everything looks wonderful, but I know that there were leaks yesterday after the heavy rain, and there are water supply problems to sort out. Essentially, we were all working here at a site still under construction, and the work is not complete yet. But given the huge scale of this whole project I think this is a normal situation.

Only the first steps have been taken in Vladivostok. The whole of Eastern Siberia is in this situation. If you look along the BAM [Baikal-Amur Mainline] railway route you see the same thing, people still living in temporary barracks to this day. When they came to build the railway they were settled in those barracks and got promised that proper housing would be built for them, but nothing ever materialised. That was a legacy that passed on through the decades that followed. Those people were simply left for decades in their barracks. What's more, they do not even have the right to get on the lists for obtaining state housing because the places where they live are not legally considered residential premises.

Here, things are a bit better than along the BAM, but there are still many districts with big problems, and we need to work on further support measures for developing the region and the city, investing in infrastructure above all. The municipal and regional authorities must take responsibility for a lot of this work, however. We will certainly support them, but the main responsibility has to be here, at the regional and local levels.

The biggest priority is to create skilled jobs here, raise the well-being of local residents and increase their purchasing power so that they can resolve their housing problems. Of course we need to ensure the right conditions are in place, build new office space for companies, new corporate buildings and so on. The representatives of our biggest banks said yesterday that, having seen the developments and first signs of new life and change here, they want to start developing their activities here too.

I spoke already about our project to build a space launch centre in the Amur Region, and our plans to develop an automotive industry cluster. I just visited earlier the site where the Japanese have begun work. The representative from Sollers spoke about the company's upcoming plans for the site. They will demolish the old blocks and build a completely new modern building.

The arrival of these new companies with a new level of production culture, and the construction of new housing will gradually start changing the situation for the better and set the region on an upward growth curve. Of course this will not all happen overnight, but to get the process underway we first need to improve, above all, the economic microclimate and create the conditions for attracting private investment to the region.

Once production starts developing here, it will help to resolve the social issues too. The state authorities can play their part by investing in developing the social infrastructure, healthcare, medicine and education, as we are doing here. This is a long-term task that will perhaps require even decades to complete, but I am sure that Russia can and will achieve this.

Thank you very much.