

## Transcript: 'All this fuss about spies ... it is not worth serious interstate relations'

The Russian president on globalisation, China, Trump and the end of the 'liberal idea'

Vladimir Putin, Russian president, says the 'liberal idea' has outlived its purpose © Press office of the President of Russia

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*This is the transcript of a conversation between Vladimir Putin, Russian president, Lionel Barber, Financial Times editor, and Henry Foy, the FT's Moscow bureau chief, which took place on Wednesday 26 June in the Kremlin. Mr Putin's quotes are translated from the Russian.*

**Lionel Barber:** Mr President, you head for Osaka shortly as the senior statesman at the G20. Nobody has been to so many international meetings of this grouping and the G7 over the last 20 years while you have been in charge of Russia. Before we talk about the G20 agenda and what you hope to achieve, we know that there are rising tensions between America and China in trade, the risk of conflict in the Gulf. I would be very grateful if you could talk a bit about how you have seen the world change over the last 20 years while you have been in power.

**Vladimir Putin:** First, I have not been in power for all these 20 years. As you may know, I was prime minister for four years, and that is not the highest authority in the Russian Federation. But nevertheless, I have been around for a long time in government and in the upper echelons, so I can judge what is changing and how. In fact, you just said it yourself, asking what has changed and how. You mentioned the trade wars and the Persian Gulf developments. I would cautiously say the situation has not changed for the better, but I remain optimistic to a certain extent. But, to put it bluntly, the situation has definitely become more dramatic and explosive.

**LB:** Do you believe that the world now has become more fragmented?

**VP:** Of course, because during the Cold War, the bad thing was the Cold War. It is true. But there were at least some rules that all participants in international communication more or less adhered to or tried to follow. Now, it seems that there are no rules at all. In this sense, the world has become more fragmented and less predictable, which is the most important and regrettable thing.

**LB:** We will return to this theme of the world without rules, fragmentation, more transactional. But first, Mr President, tell us what you want to achieve in Osaka, in terms of

your relationships with these other parties? What are your main goals for the summit?

**VP:** I would very much like all the participants in this event, and the G20, in my opinion, is a key international economic development forum today, so I would like all the G20 members to reaffirm their intention — at least an intention — to work out some general rules that everyone would follow, and show their commitment and dedication to strengthening international financial and trade institutions.

Everything else is details that complement the main topics one way or another. We certainly support Japan's presidency. As for the development of modern technology, the information world, the information economy, as well as our Japanese colleagues' attention to matters such as longevity and the environment — all this is extremely important, and we will certainly support it and will take part in all these discussions.

Even though it is hard to expect any breakthroughs or landmark decisions in the current conditions; we can hardly count on it today. But in any case, there is hope at least that during these general discussions and bilateral meetings we will be able to smooth out the existing disagreements and lay a foundation, a basis for positive movement forward.

**LB:** You will have a meeting with [Saudi Crown Prince] Mohammed bin Salman in Osaka. Can we expect an extension of the current agreement on oil production? Limitations?

**VP:** As you know, Russia is not an Opec member, even though it is among the world's largest producers. Our daily production is estimated at 11.3m barrels, I believe. The United States has surged ahead of us, though. However, we believe that our production stabilisation agreements with Saudi Arabia and Opec in general have had a positive effect on market stabilisation and forecasting.

I believe both energy producers, in this case, oil producing countries, and consumers are interested in this, because stability is definitely in short supply at present. And our agreements with Saudi Arabia and other Opec members undoubtedly strengthen stability.

As for whether we will extend the agreement, you will find out in the next few days. I had a meeting on this issue with the top executives of our largest oil companies and government members right before this interview.

**LB:** They are a little bit frustrated. They would like to produce more. Is that correct?

**VP:** They have a smart policy. It is not about increasing production, although that is a major component in the work of large oil companies. It is about the market situation. They take a comprehensive view of the situation, as well as of their revenues and expenses. Of course,

they are also thinking about boosting the industry, timely investments, ways to attract and use modern technology, as well as about making this vital industry more attractive for investors.

However, dramatic price hikes or slumps will not contribute to market stability and will not encourage investment. This is why we discussed all these issues in their totality today.

**LB:** Mr President, you have observed four American presidents at close quarters and maybe five, you have had direct experience. So, how is Mr Trump different?

**VP:** We are all different. No two people are the same, just like there are no identical sets of fingerprints. Anyone has his or her own advantages, and let the voters judge their shortcomings. On the whole, I maintained sufficiently good-natured and stable relations with all the leaders of the US. I had an opportunity to communicate more actively with some of them.

The first US president I came into contact with was Bill Clinton. Generally, I viewed this as a positive experience. We established sufficiently stable and business-like ties for a short period of time because his tenure was already coming to an end. I was only a very young president then who had just started working. I continue to recall how he established partner-like relations with me. I remain very grateful to him for this.

There have been different times, and we had to address various problems with all other colleagues. Unfortunately, this often involved debates, and our opinions did not coincide on some matters that, in my opinion, can be called key aspects for Russia, the United States and the entire world. For example, this includes the unilateral US withdrawal from the Anti-Ballistic Missile Treaty that, as we have always believed, and as I am still convinced, was the cornerstone of the entire international security system.

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**I made very energetic attempts to convince our US partners not to withdraw from the [ABM] treaty . . . the world would be a different place today, had our US partners accepted this proposal**

We debated this matter for a long time, argued and suggested various solutions. In any event, I made very energetic attempts to convince our US partners not to withdraw from the treaty. And, if the US side still wanted to withdraw from the treaty, it should have done so in such a way as to guarantee international security for a long historical period.

I suggested this, I have already discussed this in public, and I repeat that I did this because I consider this matter to be very important. I suggested working jointly on missile-defence projects that should have involved the US, Russia and Europe. They stipulated specific parameters of this co-operation, determined dangerous missile approaches and envisioned technology exchanges, the elaboration of decision-making mechanisms, etc. Those were absolutely specific proposals.

I am convinced that the world would be a different place today, had our US partners accepted this proposal. Unfortunately, this did not happen. We can see that the situation is developing in another direction; new weapons and cutting-edge military technology are coming to the fore. Well, this is not our choice. But, today, we should at least do everything so as to not aggravate the situation.

**LB:** Mr President, you are a student of history. You have had many hours of conversation with Henry Kissinger. You almost certainly read his book, *World Order*. With Mr Trump, we have seen something new, something much more transactional. He is very critical of alliances and allies in Europe. Is this something that is to Russia's advantage?

**VP:** It would be better to ask what would be to America's advantage in this case. Mr Trump is not a career politician. He has a distinct world outlook and vision of US national interests. I do not accept many of his methods when it comes to addressing problems. But do you know what I think? I think that he is a talented person. He knows very well what his voters expect from him.

Russia has been accused, and, strange as it may seem, it is still being accused, despite the Mueller report [on the investigation into allegations of Russian meddling in the 2016 presidential campaign], of mythical interference in the US election. What happened in reality? Mr Trump looked into his opponents' attitude to him and saw changes in American society, and he took advantage of this.

You and I are talking ahead of the G20 meeting. It is an economic forum, and it will undoubtedly have discussions on globalisation, global trade and international finance.

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**The middle class in the US has not benefited from globalisation . . . The Trump team sensed this very keenly and clearly and they used this in the election campaign**

Has anyone ever given a thought to who actually benefited and what benefits were gained from globalisation, the development of which we have been observing and participating in

over the past 25 years, since the 1990s?

China has made use of globalisation, in particular, to pull millions of Chinese out of poverty.

What happened in the US, and how did it happen? In the US, the leading US companies — the companies, their managers, shareholders and partners — made use of these benefits. The middle class hardly benefited from globalisation. The take-home pay in the US (we are likely to talk later about real incomes in Russia, which need special attention from the government). The middle class in the US has not benefited from globalisation; it was left out when this pie was divided up.

The Trump team sensed this very keenly and clearly, and they used this in the election campaign. It is where you should look for reasons behind Trump's victory, rather than in any alleged foreign interference. This is what we should be talking about here, including when it comes to the global economy.

I believe this may explain his seemingly extravagant economic decisions and even his relations with his partners and allies. He believes that the distribution of resources and benefits of globalisation in the past decade was unfair to the US.

I am not going to discuss whether it was fair or not, and I will not say if what he is doing is right or wrong. I would like to understand his motives, which is what you asked me about. Maybe this could explain his unusual behaviour.

**LB:** I definitely want to come back to the Russian economy. But what you said is absolutely fascinating. Here you are, the President of Russia, defending globalisation along with [China's] President Xi [Jinping] whereas Mr Trump is attacking globalisation and talking about America First. How do you explain this paradox?

**VP:** I don't think that his desire to make America first is a paradox. I want Russia to be first, and that is not perceived as a paradox; there is nothing unusual there. As for the fact that he is attacking some manifestations of globalisation, I made that point earlier. He seems to believe that the results of globalisation could have been much better for the US than they are. These globalisation results are not producing the desired effect for the US, and he is beginning this campaign against certain elements of globalisation. This concerns everyone, primarily major participants in the system of international economic collaboration, including allies.

**LB:** Mr President, you have had many meetings with President Xi, and Russia and China have definitely come closer. Are you putting too many eggs in the China basket? Because Russian foreign policy, including under your leadership, has always made a virtue of talking

to everybody.

**VP:** First of all, we have enough eggs, but there are not that many baskets where these eggs can be placed. This is the first point.

Secondly, we always assess risks.

Thirdly, our relations with China are not motivated by timeserving political or any other considerations. Let me point out that the Friendship Treaty with China was signed in 2001, if memory serves, long before the current situation and long before the current economic disagreements, to put it mildly, between the US and China.

We do not have to join anything, and we do not have to direct our policy against anyone. In fact, Russia and China are not directing their policy against anyone. We are just consistently implementing our plans for expanding co-operation. We have been doing this since 2001, and we are just consistently implementing these plans.

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**Over the past 25 years . . . the share of G7 countries in the global GDP has declined from 58 per cent to 40 per cent. This should also be reflected in international institutions in some way**

Take a look at what is written there. We have not done anything that transcends the framework of these accords. So there is nothing unusual here, and you should not search for any implications of the Chinese-Russian rapprochement. Of course, we assess the current global developments; our positions coincide on a number of matters on the current global agenda, including our attitude towards compliance with generally accepted rules in trade, the international financial system, payments and settlements.

The G20 has played a very tangible role. Since its inception in 2008, when the financial crisis flared up, the G20 has accomplished many useful things for stabilising the global financial system, for developing global trade and ensuring its stabilisation. I am talking about the tax aspect of the global agenda, the fight against corruption, and so on. Both China and Russia adhere to this concept.

The G20 has accomplished a lot by advocating quota changes at the International Monetary Fund and the World Bank. Both Russia and China share this approach. Considering the major increase in the global economic share of emerging markets, this is fair and right, and we have been voicing this position from the very beginning. And we are glad that this

continues to develop and to proceed in line with changes in global trade.

Over the past 25 years or so (25, I believe), the share of G7 countries in the global GDP has declined from 58 per cent to 40 per cent. This should also be reflected in international institutions in some way. That is the common position of Russia and China. This is fair, and there is nothing special about this.

Yes, Russia and China have many coinciding interests, this is true. This is what motivates our frequent contacts with President Xi Jinping. Of course, we have also established very warm personal relations, and this is natural.

Therefore, we are moving in line with our mainstream bilateral agenda that was formulated as far back as 2001, but we quickly respond to global developments. We never direct our bilateral relations against anyone. We are not against anyone, we are for ourselves.

**LB:** I am relieved that this egg supply is strong. But the serious point, Mr President, is, you are familiar with Graham Allison's book, *The Thucydides Trap*. The danger of tensions or a military conflict risk between a dominant power and a rising power, America and China. Do you think that there is a risk of a military conflict in your time between you, America and China?

**VP:** You know, the entire history of mankind has always been full of military conflicts, but since the appearance of nuclear weapons the risk of global conflicts has decreased due to the potential global tragic consequences for the entire population of the planet in case such a conflict happens between two nuclear states. I hope it will not come to this.

However, of course, we have to admit that it is not only about China's industrial subsidies on the one hand or the tariff policy of the US on the other. First of all, we are talking about different development platforms, so to speak, in China and in the US. They are different and you, being a historian, probably will agree with me. They have different philosophies in both foreign and domestic policies, probably.

But I would like to share some personal observations with you. They are not about allied relations with one country or a confrontation with the other; I am just observing what is going on at the moment. China is showing loyalty and flexibility to both its partners and opponents. Maybe this is related to the historical features of Chinese philosophy, their approach to building relations.

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## **enough patience not to make any rash decisions, but to respect its partners even if there are disagreements**

Therefore I do not think that there would be some such threats from China. I cannot imagine that, really. But it is hard to say whether the US would have enough patience not to make any rash decisions, but to respect its partners even if there are disagreements. But I hope, I would like to repeat this again, I hope that there would not be any military confrontation.

**LB:** Arms control. We know that the Intermediate-Range Nuclear Forces (INF) agreement is in grave jeopardy. Is there any place, from Russia's point of view, for future arms control agreements or are we in a new phase when we are likely to see a new nuclear arms race?

**VP:** I believe there is such a risk.

As I said already, the US unilaterally withdrew from the Anti-Ballistic Missile treaty, and has recently quit the INF treaty as well. But this time, it did not just quit but found a reason to quit, and this reason was Russia. I do not think Russia means anything to them in this case, because this war theatre, the war theatre in Europe is unlikely to be interesting to the US, despite the expansion of Nato and Nato's contingent near our borders. The fact remains, the US has withdrawn from the treaty. Now the agenda is focused on the Strategic Arms Reduction Treaty (New Start). I hope that I will be able to talk about it with Donald [Trump] if we happen to meet in Osaka.

We said that we are ready to hold talks and to extend this treaty between the US and Russia, but we have not seen any relevant initiative from our American partners. They keep silent, while the treaty expires in 2021. If we do not begin talks now, it would be over because there would be no time even for formalities.

Our previous conversation with Donald showed that the Americans seem to be interested in this, but still they are not making any practical steps. So if this treaty ceases to exist, then there would be no instrument in the world to curtail the arms race. And this is bad.

**LB:** Exactly, the gloves are off. Is there any chance of a triangular agreement between China, Russia and America on intermediate nuclear forces or is that a dream, pie in the sky? Would you support such an end?

**VP:** As I said at the very beginning, we will support any agreement that can advance our cause, that is, help us contain the arms race.

It should be said that so far, the level and the development scale of China's nuclear forces are much lower than in the US and Russia. China is a huge power that has the capability to build

up its nuclear potential. This will likely happen in the future, but so far our capabilities are hardly comparable. Russia and the US are the leading nuclear powers, which is why the agreement was signed between them. As for whether China will join these efforts, you can ask our Chinese friends.

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**We must respect North Korea's legitimate security concerns. We must show it respect, and we must find a way of ensuring its security that will satisfy North Korea**

**LB:** Russia is a Pacific power as well as a European and Asian power. It is a Pacific power. You have seen what the Chinese are doing in terms of their build-up of their navy and their maritime strength. How do you deal with those potential security problems, territorial disputes in the Pacific? Does Russia have a role to play in a new security arrangement?

**VP:** You mentioned the build-up of naval forces in China. China's total defence spending is \$117bn, if memory serves. The US defence spending is over \$700bn. And you are trying to scare the world with the build-up of China's military might? It does not work with this scale of military spending. No, it does not.

As for Russia, we will continue to develop our Pacific Fleet as planned. Of course, we also respond to global developments and to what happens in relations between other countries. We can see all of this, but it does not affect our defence development plans, including those in the Russian Far East.

We are self-sufficient, and we are confident. Russia is the largest continental power. But we have a nuclear submarine base in the Far East, where we are developing our defence potential in accordance with our plans, including so that we can ensure safety on the Northern Sea Route, which we are planning to develop.

We intend to attract many partners to this effort, including our Chinese partners. We may even reach an agreement with American shippers and with India, which has also indicated its interest in the Northern Sea Route.

I would say that we are also primed for co-operation in the Asia Pacific region, and I have grounds to believe that Russia can make a considerable, tangible and positive contribution to stabilising the situation.

**LB:** Can we just turn to North Korea? How do you assess the current situation and do you believe that in the end, any deal or agreement will have to accept the fact that North Korea

has nuclear weapons and that total dismantling is just not possible? If I could just add, Mr President, I ask you this because Russia has a fairly small but still a land border with North Korea.

**VP:** You know, whether we recognise North Korea as a nuclear power or not, the number of nuclear charges it has will not decrease. We must proceed from modern realities, which are that nuclear weapons pose a threat to international peace and security.

Another pertinent question is where this problem stems from. The tragedies of Libya and Iraq have inspired many countries to ensure their security at all costs.

What we should be talking about is not how to make North Korea disarm, but how to ensure the unconditional security of North Korea and how to make any country, including North Korea feel safe and protected by international law that is strictly honoured by all members of the international community. This is what we should be thinking about.

We should think about guarantees, which we should use as the basis for talks with North Korea. We must be patient, respect it and, at the same time, take into account the dangers arising from this, the dangers of the nuclear status and the presence of nuclear weapons.

Of course, the current situation is fraught with unpredictable scenarios, which we must avoid.

**LB:** You have obviously thought of this as an experienced foreign policy and security analyst and a strategist. How do you see the North Asia security situation over the next five to 10 years, given you have Russia, you have China, you have Korea and Japan?

**VP:** You have said correctly that we have a common border, even if a short one, with North Korea, therefore, this problem has a direct bearing on us. The US is located across the ocean, and the UK is located far away, while we are right here, in this region, and the North Korean nuclear range is not far away from our border. This why this concerns us directly, and we never stop thinking about it.

I would like to return to my answer to your previous question. We must respect North Korea's legitimate security concerns. We must show it respect, and we must find a way of ensuring its security that will satisfy North Korea. If we do this, the situation may take a turn nobody can imagine today.

Do you remember what turn the situation took after the Soviet Union adopted the policy of detente? Do I need to say anything else?

**LB:** Mr President, you have been in power or very close to power. I think in Davos I said to you when we met — you were not in power but still calling all the shots. After 20 years at the

top or near the top, has your appetite for risk increased?

**VP:** It did not increase or decrease. Risk must always be well-justified. But this is not the case when one can use the popular Russian phrase: “He who doesn’t take risks, never drinks champagne.” This is not the case. Quite possibly, risks are inevitable when one has to make certain decisions. Depending on the scale of any decision, risks can be small or serious.

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**We said [to the previous US administration], suppose Assad steps down today, what will happen tomorrow? . . . the answer we got was very amusing . . . they said, ‘We don’t know’. But when you do not know what happens tomorrow, why shoot from the hip today?**

Any decision-making process is accompanied by risk. Before taking one’s chances, one has to meticulously assess everything. Therefore, risk based on an assessment of the situation and the possible consequences of the decisions is possible and even inevitable. Foolish risks overlooking the real situation and failing to clearly comprehend the consequences are unacceptable because they can jeopardise the interests of a great number of people.

**LB:** How big was this Syria risk in terms of your decision to intervene?

**VP:** It was sufficiently high. However, of course, I thought carefully about this well in advance, and I considered all the circumstances and all the pros and cons. I considered how the situation around Russia would develop and the possible consequences. I discussed this matter with my aides and ministers, including those in charge of law enforcement agencies and other senior officials. In the long run, I decided that the positive effect from our active involvement in Syrian affairs for Russia and the interests of the Russian Federation would far outweigh non-interference and passive observation of how an international terrorist organisation grows ever stronger near our borders.

**LB:** What has the return been like on the risk taken in Syria?

**VP:** I believe that it has been a good and positive return. We have accomplished even more than I had expected. First of all, many militants planning to return to Russia were eliminated. This implies several thousand people. They were planning to return to Russia or neighbouring countries with which we do not maintain any visa regime. Both aspects are equally dangerous for us. This is the first thing.

Secondly, we have managed to stabilise the situation in a nearby region, one way or another.

This is also highly important. Therefore, we have directly strengthened Russia's domestic security. This is the third thing.

Fourthly, we have established sufficiently good business-like relations with all regional countries, and our positions in the Middle East region have become more stable. Indeed, we have established very good, business-like, partner-like and largely allied relations with many regional countries, including Iran, Turkey and other countries.

Primarily, this concerns Syria, we have managed to preserve Syrian statehood, no matter what, and we have prevented Libya-style chaos there. And a worst-case scenario would spell out negative consequences for Russia.

Besides, I would like to openly speak of the mobilisation of the Russian armed forces. Our armed forces have received such practical experience that they could not have obtained during any peacetime exercises.

**LB:** Are you committed to [Syrian leader Bashar] al-Assad remaining in power or can we see, at some point, the transition in Syria that Russia would support, which would not be Libya?

**VP:** I believe that the Syrian people should be free to choose their own future. At the same time, I would like the actions of external players to be substantiated and, just as in the case of the risks you have mentioned, predictable and understandable, so that we can consider at least our next moves.

When we discussed this matter only recently with the previous US administration, we said, suppose Assad steps down today, what will happen tomorrow?

Your colleague did well to laugh, because the answer we got was very amusing. You cannot even imagine how funny it was. They said, "We don't know." But when you do not know what happens tomorrow, why shoot from the hip today? This may sound primitive, but this is how it is.

Therefore, we prefer to look at problems thoroughly from all possible angles and not to be in any hurry. Of course, we are perfectly aware of what is happening in Syria. There are internal reasons for the conflict, and they should be dealt with. But both sides should do their bit. I am referring to the conflicting parties.

**LB:** Mr President, does that same argument apply to Venezuela? In other words, you are not prepared to see a transition in Venezuela and you are absolutely committed to President [Nicolas] Maduro.

**VP:** Oh, and it seemed we had started so well. Please do not take offence to what I am going

to say next. You won't, will you? We were off to such a terrific start, talking seriously, and now you have moved back to the stereotype views on Russia.

We have no nothing to do with what is happening in Venezuela, if you know what I mean.

**LB:** What are those advisers doing then in Caracas?

**VP:** I will say this now, if you just let me finish. There is no problem with that.

Back under [President Hugo] Chávez we sold weapons to Venezuela, without any limits and problems. We did this absolutely legally just as it is done all around the world and as every country does, including the US, the UK, China and France. We did this too — we sold weapons to Venezuela.

We signed contracts, which say what we have to do when it comes to servicing this military equipment, that we must train local specialists, ensure that this equipment is maintained in combat readiness and so on. We provide maintenance services for this equipment. I have already said this many times, including to our American partners: there are no Russian troops there. Do you understand? Yes, there are Russian specialists and instructors there. Yes, they are working there. Only recently, I believe it was a week ago, a group of our advisers and specialists left the country. But they can return.

We have an agreement that our aircraft fly there from time to time to take part in exercises. And this is it. Are we regulating the rebels' actions as some of our partners are doing, or the actions of President Maduro? He is the president, why should we control his actions? He is in control. Whether he is doing well or not, this is another matter altogether. We do not make any judgments.

I believe that many things could have been done differently there when it comes to the economy. But we do not meddle in things; it is none of our business. We have invested billions of dollars there, mostly in the oil sector. So what? Other countries are doing the same as well.

It looks like everything is preserved only by Russian weapons. This is not true. It has nothing in common with reality. Where are the self-proclaimed presidents and opposition leaders? Some of them have taken refuge in foreign embassies and others are in hiding. What do we have to do with this? This problem should be sorted out by the Venezuelan people themselves. This is all.

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**But is it enough that [Juan Guaidó] entered a square and**

## **proclaimed himself president? Is the entire world supposed to support him as president?**

**LB:** I was just applying your theory and your experience of seeing what happened in Libya and Iraq to Venezuela. And therefore, logically, you would say, “We are committed to Mr Maduro because we do not want to see regime change from outside.” Is that the Russian position? Or might you be willing to say, “We will support [Venezuela’s opposition leader Juan] Guaidó because we have important oil interests in Venezuela”?

**VP:** We are prepared for any developments in any country, including Venezuela, if they are taking place in accordance with internal rules and the country’s legislation, its constitution, and in line with the people’s will.

I do not think that Libyan or Iraqi statehood would have been wrecked if there had been no intervention there. It would not have happened in Libya, the situation was absolutely different there. Indeed, [former Libyan leader Muammer] Gaddafi wrote his books there, set forth his theories, and so on, which did not meet specific standards, and his practical work did not meet European or American perceptions of democracy.

Incidentally, the president of France said recently that the American democratic model differs greatly from the European model. So there are no common democratic standards. And do you, well, not you, but our Western partners, want a region such as Libya to have the same democratic standards as Europe and the US? The region has only monarchies or countries with a system similar to the one that existed in Libya.

But I am sure that, as a historian, you will agree with me at heart. I do not know whether you will publicly agree with this or not, but it is impossible to impose current and viable French or Swiss democratic standards on North African residents who have never lived in conditions of French or Swiss democratic institutions. Impossible, isn’t it? And they tried to impose something like that on them. Or they tried to impose something that they had never known or even heard of. All this led to conflict and intertribal discord. In fact, a war continues in Libya.

So why should we do the same in Venezuela? Do we want to revert to gunboat diplomacy? What do we need it for? Is it necessary to humiliate Latin American nations so much in the modern world and impose forms of government or leaders from the outside?

By the way, we worked with President Chávez because he was president. We did not work with President Chávez as an individual, but we worked with Venezuela. That is why we channelled investments in the oil sector.

And where did we plan to deliver Venezuelan oil while investing in the oil sector? As you

know, Venezuela has unique oil that is mostly delivered to US refineries. What is so bad about that? We wanted the Venezuelan oil and gas sector to operate steadily, predictably and confidently and to make deliveries to those US refineries. I do not understand what is so wrong with this.

First, they faced economic problems, followed by domestic political problems. Let them sort things out by themselves, and these leaders will come to power by democratic means. But when a person enters a square, raises his eyes to the sky and proclaims himself president? Let us do the same in Japan, the US or Germany. What will happen? Do you understand that this will cause chaos all over the world? It is impossible to disagree with this. There will be pure chaos. How could they act like this? But no, they started supporting that person from the very outset.

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**Listen, all this fuss about spies and counterspies, it is not worth serious interstate relations. This [Skripal] spy story, as we say, it is not worth five kopecks. Or even five pounds, for that matter**

He may be a very good person. He may be just wonderful, and his plans are good. But is it enough that he entered a square and proclaimed himself president? Is the entire world supposed to support him as president? We should tell him to take part in elections and win them, and then we would work with him as the state leader.

**LB:** Let us talk about another democracy in Europe, my own country. You are going to have a meeting with [Theresa] May, which is going to be one of her last meetings before she steps down as prime minister. Do you think that there is a possibility of some improvement in Anglo-Russian relations and that we can move on from some of these issues that are obviously of great sensitivity, like the Skripal affair? Or do you think that we are going to stay in a deep freeze for the next three or five years?

**VP:** Listen, all this fuss about spies and counterspies, it is not worth serious interstate relations. This spy story, as we say, it is not worth five kopecks. Or even five pounds, for that matter. And the issues concerning interstate relations, they are measured in billions and the fate of millions of people. How can we compare one with the other?

The list of accusations and allegations against one another could go on and on. They say, “You poisoned the Skripals.” Firstly, this must be proved.

Secondly, the average person listens and says, “Who are these Skripals?” And it turns out that

[Sergei] Skripal was engaged in espionage against us [Russia]. So this person asks the next question, “Why did you spy on us using Skripal? Maybe you should not have done that?” You know, these questions are infinite. We need to just leave it alone and let security agencies deal with it.

But we know that businesses in the UK (by the way, I had a meeting with our British colleagues in this same room), they want to work with us, they are working with us and intend to continue doing so. And we support this intent.

I think that Mrs May, despite her resignation, could not help but be concerned that these spy scandals made our relations reach a deadlock so we could not develop our ties normally and support business people, who are doing what? They do not only earn money, this is what is on the outside. They create jobs and added value, plus they provide revenue at all levels of the tax system of their countries. This is a serious and multi-faceted job, with the same risks you mentioned, including risks related to business operations. And if we add an unpredictable political situation, they will not be able to work at all.

I think that both Russia and the UK are interested in fully restoring our relations. At least I hope that a few preliminary steps will be made. I think it would be easier for Mrs May, maybe, because she is leaving and is free to do what she thinks is right, important and necessary and not to bother about some domestic political consequences.

**LB:** Some people might say that a human life is worth more than five pennies. But do you believe, Mr President that whatever happened . . .

**VP:** Did anybody die?

**LB:** Oh yes. The gentleman who had a drug problem and he died after touching the novichok in the car park. I mean somebody did that because of the perfume. It was more than one person that died, not the Skripals. I am just . . .

**VP:** And you think this is absolutely Russia’s fault?

**LB:** I did not say that. I said somebody died.

**VP:** You did not say that, but if it has nothing to do with Russia . . . Yes, a man died, and that is a tragedy, I agree. But what do we have to do with it?

**LB:** Let me just ask this and I really want to talk about the Russian economy. Do you believe that what happened in Salisbury sent an unambiguous message to anyone who is thinking of betraying the Russian state that it is fair game?

**VP:** As a matter of fact, treason is the gravest crime possible and traitors must be punished. I

am not saying that the Salisbury incident is the way to do it. Not at all. But traitors must be punished.

This gentleman, Skripal, had already been punished. He was arrested, sentenced and then served time in prison. He received his punishment. For that matter, he was off the radar. Why would anybody be interested in him? He got punished. He was detained, arrested, sentenced and then spent five years in prison. Then he was released and that was it.

As concerns treason, of course, it must be punishable. It is the most despicable crime that one can imagine.

**LB:** The Russian economy. You spoke the other day about decline in the real wages in the Russian workforce and Russian growth has been less than expected. But at the same time, Mr President, you have been accumulating foreign exchange reserves and international reserves at some 460bn. What are you saving for? What is the purpose? Can't you use some of this money to ease up on the fiscal side?

**VP:** Let me correct a few very small details. Real wages are not in decline in Russia. On the contrary, they are starting to pick up. It is the real household disposable income that is falling.

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**Do not think that this money [Russia's reserves] is just sitting on the shelf. No, it creates certain guarantees for Russia's economic stability in the midterm**

Wages and income are two slightly different things. Income is determined by many parameters, including loan servicing costs. People in Russia take out a lot of consumer loans and interest payments are counted towards expenses, which drags down real income indicators. Also, the shadow economy is undergoing legalisation. A substantial part of self-employed people — I believe, 100,000 or 200,000 — have already legalised their business. This, too, affects real incomes of the population, disposable incomes.

This tendency has persisted for the past four years. Last year we recorded a small increase of 0.1 per cent. It is not enough. It is still within the margin of error. But it is one of the serious problems that we need to deal with and we are dealing with it.

Real wages started to grow recently. Last year there was an 8.5-per cent increase. This year, the growth rate of real wages has significantly decreased due to a whole range of circumstances. I mean that last year we saw a recovery growth and there are some other

factors involved. However, it continues. And we really expect that it will have an effect on real household disposable incomes.

Even more so because lately we have adopted a number of measures to speed up the growth of retirement pensions. Last year the inflation rate was 4.3 per cent and, based on these results, in the beginning of this year pensions were adjusted for inflation by 7.05 per cent. And we set ourselves a goal, a task — which, I am certain, will be achieved — to adjust pensions by a percentage that is above the inflation rate.

Now, real incomes were also affected because we had to increase VAT from 18 to 20 per cent, which affected people's purchasing power because the inflation rate exceeded 5 per cent.

In other words, we expected that the negative impact of the VAT increase would be short-term, which is exactly what happened. Fortunately, it worked out and our calculations proved right. Now the inflation rate is going down, the macroeconomic situation is improving; investment is rising slightly. We can see that the economy has overcome those difficulties that were caused by internal and external shocks. The external shocks were related to restrictions and slumping prices on our traditional export products. The economy has stabilised.

The macroeconomic situation in the country is stable. It is not accidental and all rating agencies registered it. The three major agencies raised our investment rating. Economic growth last year was 2.3 per cent. We do not think it was enough but we will, of course, work on speeding up the pace. The growth rate in industrial production was 2.9 per cent and even higher, up to 13 per cent in some industries (light industry, processing and garment industries and several others). Therefore, overall, our economy is stable.

But the most important task we need to achieve is to change the structure of the economy and secure a substantial growth of labour productivity through modern technologies, Artificial Intelligence, robotics and so on. This is exactly why we increased VAT, to raise budget funds for performing a certain part of this job that is the state's responsibility, in order to create conditions for private investment. Let us take transport and other infrastructure development. Hardly anybody besides the state is involved in it. There are other factors related to education and healthcare. A person who has health problems or has no training cannot be efficient in the modern economy. The list goes on.

We really hope that by starting this work on key development areas, we will be able to increase labour productivity and use this basis for ensuring an increase in the incomes and prosperity of our people.

As concerns the reserves, you are not exactly correct here, either. We have over 500bn in gold

and foreign currency reserves, rather than 460bn. But the understanding is that we need to create a safety net that would let us feel confident and use the interest on our existing resources. If we have 7 per cent more, we can spend those 7 per cent.

This is what we plan for the next year and there is a high probability that we will succeed. Do not think that this money is just sitting on the shelf. No, it creates certain guarantees for Russia's economic stability in the midterm.

**LB:** The central bank has done a very good job in helping to secure macroeconomic stability even if some of the oligarchs complain about banks being closed.

**VP:** You know, first of all, we do not have oligarchs any more. Oligarchs are those who use their proximity to the authorities to receive super profits. We have large companies, private ones, or with government participation. But I do not know of any large companies that get preferential treatment from being close to the authorities, these are practically non-existent.

As for the central bank, yes, it is engaged in a gradual improvement of our financial system: inefficient and small-capacity companies, as well as semi-criminal financial organisations are leaving the market, and this is large-scale and complicated work.

It is not about oligarchs or large companies; the thing is that it affects, unfortunately, the interests of the depositor, the average person. We have relevant regulatory acts that minimise people's financial losses and create a certain safety net for them. But each case should be considered individually, of course.

In general, the work of the central bank, in my opinion, deserves support. It is related to both the improvement of the financial system and the calibrated policy regarding the key interest rate.

**LB:** Mr President, I would like to go back to President Xi and China. As you know, he has pursued a rigorous anti-corruption campaign in order to clean up the party, maintain the legitimacy and strengthen the party. He has also read the history of the Soviet Union, where [Mikhail] Gorbachev essentially abandoned the party and helped to destroy the country — the Soviet Union. Do you think that Mr Xi is right in his approach that the party is absolutely crucial? And what lessons do you draw for Russia? If I can just add, you said something interesting a few years ago about the break-up of the Soviet Union being the greatest geopolitical tragedy of the 20th century.

**VP:** These two issues are not connected. As for the tragedy related to the dissolution of the Soviet Union, this is something obvious. I meant, first of all, the humanitarian aspect of it. It appears that 25m ethnic Russians were living abroad when they learned from the television

and radio that the Soviet Union had ceased to exist. Nobody asked their opinion. The decision was simply made.

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**Most (over 70 per cent) of the citizens of the USSR spoke in favour of retaining it. Then the decision was made to dissolve the USSR, but nobody asked the people, and 25m ethnic Russians found themselves living outside the Russian Federation. Listen, is this not a tragedy?**

You know, these are issues of democracy. Was there an opinion poll, a referendum? Most (over 70 per cent) of the citizens of the USSR spoke in favour of retaining it. Then the decision was made to dissolve the USSR, but nobody asked the people, and 25m ethnic Russians found themselves living outside the Russian Federation. Listen, is this not a tragedy? A huge one! And family relations? Jobs? Travel? It was nothing but a disaster.

I was surprised to see the later comments on what I said, in particular, in the Western media. They should try to live through seeing their father, brother or any other close relative finding themselves living in a different country, where a whole new life has started. I assure you.

As for the party and the party state building in China, this is for the Chinese people to decide; we do not interfere. Today's Russia has its own principles and rules of life, and China with its 1.35bn people has its own. You try to rule a country with such a population. This is not Luxembourg, with all due respect to this wonderful country. Therefore, it is necessary to give the Chinese people the opportunity to decide how to organise their lives.

**LB:** Again a big picture question. I talked at the beginning of our conversation about fragmentation. Another phenomenon today is that there is a popular backlash against elites and against the establishment and you have seen that — Brexit in Britain. Perhaps you were speaking about Trump's America. You have seen it with the AFD in Germany; you have seen it in Turkey; and you have seen it in the Arab world. How long do you think that Russia can remain immune to this global movement of backlash against the establishment?

**VP:** You should look at the realities in each particular case. Of course, there are some trends, but they are only general. In each particular case, when looking at the situation and how it unfolds, you should take into account the history of the given country, its traditions and realities.

How long will Russia remain a stable country? The longer the better. Because very many other things and its position in the world depend on stability, on internal political stability.

Ultimately, the wellbeing of the people depends, possibly primarily, on stability.

One of the reasons, the internal reason for the Soviet Union's collapse was that life was difficult for the people, whose take-home wages were very small. The shops were empty, and the people lost the intrinsic desire to preserve the state.

They thought that it could not get worse no matter what happened. It turned out that life became worse for very many people, especially at the beginning of the 1990s when the social protection and healthcare systems collapsed and industry was crumbling. It could be ineffective, but at least people had jobs. After the collapse, they lost them. Therefore, you should look at each particular case separately.

What is happening in the West? What is the reason for the Trump phenomenon, as you said, in the US? What is happening in Europe as well? The ruling elites have broken away from the people. The obvious problem is the gap between the interests of the elites and the overwhelming majority of the people.

Of course, we must always bear this in mind. One of the things we must do in Russia is never to forget that the purpose of the operation and existence of any government is to create a stable, normal, safe and predictable life for the people and to work towards a better future.

There is also the so-called liberal idea, which has outlived its purpose. Our Western partners have admitted that some elements of the liberal idea, such as multiculturalism, are no longer tenable.

When the migration problem came to a head, many people admitted that the policy of multiculturalism is not effective and that the interests of the core population should be considered. Although those who have run into difficulties because of political problems in their home countries need our assistance as well. That is great, but what about the interests of their own population when the number of migrants heading to Western Europe is not just a handful of people but thousands or hundreds of thousands?

**LB:** Did [German chancellor] Angela Merkel make a mistake?

**VP:** Cardinal mistake. One can criticise Trump for his intention to build a wall between Mexico and the US. It could be going too far. Yes, maybe so. I am not arguing about this point. But he had to do something about the huge inflow of migrants and narcotics.

Nobody is doing anything. They say this is bad and that is bad as well. Tell me, what is good then? What should be done? Nobody has proposed anything. I do not mean that a wall must be built or tariffs raised by 5 per cent annually in the economic relations with Mexico. This is not what I am saying, yet something must be done. He is at least looking for a solution.

What am I driving at? Those who are concerned about this, ordinary Americans, they look at this and say, Good for him, at least he is doing something, suggesting ideas and looking for a solution.

As for the liberal idea, its proponents are not doing anything. They say that all is well, that everything is as it should be. But is it? They are sitting in their cosy offices, while those who are facing the problem every day in Texas or Florida are not happy, they will soon have problems of their own. Does anyone think about them?

The same is happening in Europe. I discussed this with many of my colleagues, but nobody has the answer. They say they cannot pursue a hardline policy for various reasons. Why exactly? Just because. We have the law, they say. Well, then change the law!

We have quite a few problems of our own in this sphere as well. We have open borders with the former Soviet republics, but their people at least speak Russian. Do you see what I mean? And besides, we in Russia have taken steps to streamline the situation in this sphere. We are now working in the countries from which the migrants come, teaching Russian at their schools, and we are also working with them here. We have toughened the legislation to show that migrants must respect the laws, customs and culture of the country.

In other words, the situation is not simple in Russia either, but we have started working to improve it. Whereas the liberal idea presupposes that nothing needs to be done. The migrants can kill, plunder and rape with impunity because their rights as migrants must be protected. What rights are these? Every crime must have its punishment.

So, the liberal idea has become obsolete. It has come into conflict with the interests of the overwhelming majority of the population. Or take the traditional values. I am not trying to insult anyone, because we have been condemned for our alleged homophobia as it is. But we have no problems with LGBT persons. God forbid, let them live as they wish. But some things do appear excessive to us.

They claim now that children can play five or six gender roles. I cannot even say exactly what genders these are, I have no notion. Let everyone be happy, we have no problem with that. But this must not be allowed to overshadow the culture, traditions and traditional family values of millions of people making up the core population.

**LB:** Does that include — this is very important, like you say — the end of this liberal idea, because — what else did you say — uncontrolled immigration, open borders, definitely, as you say, diversity as an organising principle in society? What else do you think is just finished over in terms of the liberal idea? And would you say — if I could just add — that religion therefore must play an important role in terms of national culture and cohesiveness?

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**The liberal idea cannot be destroyed either; it has the right to exist and it should even be supported in some things. But you should not think that it has the right to be the absolute dominating factor**

**VP:** It should play its current role. It [religion] cannot be pushed out of this cultural space. We should not abuse anything.

Russia is an Orthodox Christian nation, and there have always been problems between Orthodox Christianity and the Catholic world. This is exactly why I will now say a few words about Catholics. Are there any problems there? Yes, there are, but they cannot be over-exaggerated and used for destroying the Roman Catholic Church itself. This is what cannot be done.

Sometimes, I get the feeling that these liberal circles are beginning to use certain elements and problems of the Catholic Church as a tool for destroying the Church itself. This is what I consider to be incorrect and dangerous.

All right, have we forgotten that all of us live in a world based on biblical values? Even atheists and everyone else live in this world. We do not have to think about this every day, attend church and pray, thereby showing that we are devout Christians or Muslims or Jews. However, deep inside, there must be some fundamental human rules and moral values. In this sense, traditional values are more stable and more important for millions of people than this liberal idea, which, in my opinion, is really ceasing to exist.

**LB:** So religion, religion is not the opium of the masses?

**VP:** No, it is not. But I get the impression that you are detached from religion because it is already 12.45am Moscow time, and you continue to torture me. As we say here, there is no fear of God in you, is there? (Laughter).

**LB:** This is history. I have waited a long time for this. I have got one last question. And thank you for your — go on please.

**VP:** Please, go ahead.

**Henry Foy:** Mr President, would you say — I was reflecting on what you just said: some of the themes you were referring to would echo in people such as [former Trump adviser] Steve Bannon, and Mr Trump himself, and the groups in Europe who have come to power. Do you

think if the end of the liberal idea is over, is now the time of the “illiberals”? And do you see more and more allies growing around the world to your way of seeing the human existence at the moment?

**VP:** You know, it seems to me that purely liberal or purely traditional ideas have never existed. Probably, they did once exist in the history of humankind, but everything very quickly ends in a deadlock if there is no diversity. Everything starts to become extreme one way or another.

Various ideas and various opinions should have a chance to exist and manifest themselves, but at the same time interests of the general public, those millions of people and their lives, should never be forgotten. This is something that should not be overlooked.

Then, it seems to me, we would be able to avoid major political upheavals and troubles. This applies to the liberal idea as well. It does not mean (I think, this is ceasing to be a dominating factor) that it must be immediately destroyed. This point of view, this position should also be treated with respect.

They cannot simply dictate anything to anyone just like they have been attempting to do over the recent decades. Dictat can be seen everywhere: both in the media and in real life. It is deemed unbecoming even to mention some topics. But why?

For this reason, I am not a fan of quickly shutting, tying, closing, disbanding everything, arresting everybody or dispersing everybody. Of course, not. The liberal idea cannot be destroyed either; it has the right to exist and it should even be supported in some things. But you should not think that it has the right to be the absolute dominating factor. That is the point. Please.

**LB:** You really are on the same page as Donald Trump. Mr President, you have been in power for almost 20 years.

**VP:** For 18 years.

**LB:** You have seen many world leaders. Who do you most admire?

**VP:** Peter the Great.

**LB:** But he is dead.

**VP:** He will live as long as his cause is alive just as the cause of each of us. (Laughter). We will live until our cause is alive.

If you mean any present-day leaders from different countries and states, of the persons that I

could communicate with, I was most seriously impressed by former president of France [Jacques] Chirac. He is a true intellectual, a real professor, a very level-headed man as well as very interesting. When he was president, he had his own opinion on every issue, he knew how to defend it and he always respected his partners' opinions.

In modern-day history, taking a broader view, there are many good and very interesting people.

**LB:** Peter the Great, the creator of the Greater Russia. Need I say any more? My last question, Mr President. Great leaders always prepare succession. Lee Kuan Yew prepared succession. So please share with us what would the process be by which your successor will be chosen.

**VP:** I can tell you without exaggeration that I have always been thinking about this, since 2000. The situation changes and certain demands on people change, too. In the end, and I will say this without theatrics or exaggeration, in the end the decision must be made by the people of Russia. No matter what and how the current leader does, no matter who or how he represents, it is the voter that has the final word, the citizen of the Russian Federation.

**LB:** So the choice will be approved by the Russian people in a vote? Or through the Duma?

**VP:** Why through the Duma? By means of direct secret ballot, universal direct secret ballot. Of course, it is different from what you have in Great Britain. We are a democratic country. (Laughter).

In your country, one leader has left, and the second leader, who is for all intents and purposes the top figure in the state, is not elected by a direct vote of the people, but by the ruling party.

It is different in Russia, as we are a democratic country. If our top officials leave for some reason, because they want to retire from politics like Boris Yeltsin, or because their term ends, we hold an election through universal direct secret ballot.

The same will happen in this case. Of course, the current leader always supports someone, and this support can be substantive if the person supported has the respect and trust of the people, but in the end, the choice is always made by the Russian people.

**LB:** I cannot resist pointing out that you did take over as president before the election.

**VP:** Yes, this is true. So what? I was acting president, and in order to be elected and become the head of state, I had to take part in an election, which I did.

I am grateful to the Russian people for their trust back then, and after that, in the following elections. It is a great honour to be the leader of Russia.

**LB:** Mr President, thank you for spending time with the Financial Times in Moscow, in the Kremlin.

**VP:** Thank you for your interest in the events in Russia and your interest in what Russia thinks about the current international affairs. And thank you for our interesting conversation today. I believe it was really interesting. Thank you very much.

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