

# Plenary session of the St Petersburg International Economic Forum

Vladimir Putin took part in the plenary session of the 27<sup>th</sup> St Petersburg International Economic Forum.

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Other session participants included President of the Plurinational State of Bolivia Luis Alberto Arce Catacora and President of the Republic of Zimbabwe Emmerson Dambudzo Mnangagwa.

Sergei Karaganov, a political analyst, historian and Academic Supervisor of the Faculty of World Economy and International Affairs at the Higher School of Economics, moderated the discussion.

The St Petersburg International Economic Forum has been held annually since 1997. The event has become one of the world's leading platforms for discussing key issues of the global economy.

The 2024 forum's key theme is 'The Formation of New Areas of Growth as the Cornerstone of a Multipolar World. More than 12,000 people are attending the forum, including shareholders and top managers of major corporations, recognised experts and analysts, political and public figures, and government officials.

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**Plenary session moderator Sergei Karaganov:** Good afternoon, presidents.

Colleagues and friends.

I was offered a huge honour and great pleasure to host this session. We have a brilliant and strong group of speakers, so the session promises to be interesting.

Allow me to start with Mr Emmerson Dambudzo Mnangagwa. He is a legendary figure, the last leader of an African country who has been fighting for almost all his life – a significant part of his life, with arms in his hands – defending his home country's independence. He spent ten years in one prison and two in another. He survived, then he was sentenced to death penalty twice. After he became president, he abolished capital punishment in his country.

We would really appreciate it if Mr Mnangagwa could share his experience with us. Zimbabwe has been under sanctions for many years because they dared to nationalise white colonisers' property.

Mr Luis Arce is an outstanding economist and a descendant of the people who fought alongside the great Simon Bolivar for the independence of their homeland. His fate is slightly less dramatic but nevertheless brilliant, eventful and triumphant.

Mr Arce was Bolivia's minister of economy and finance for 15 years. Over those years, his country increased its GNP [gross national product] by 250 percent and reduced the number of people below poverty line by more than 50 percent. He carried out remarkable and most noteworthy reforms, including nationalisation of a significant part of foreign companies' property, and natural resources. He also successfully introduced import substitution. Certainly, we would love to hear about his experience.

I believe Vladimir Putin needs no introduction and for me as a citizen of the country where he is president, it is inappropriate to sing him praises. But I will say only one thing. I clearly remember 1998 and 1999 when our country was on the edge, or rather, beyond the edge, of collapse. It was completely tragic. I remember myself and my fellows fighting desperately, almost without hope. And finally, there was a time when God had mercy on us.

Now, Mr President, your challenge is difficult as never before. Not only do you have to win but also to save the world from heading for and being pushed to a world war. Although today we will speak about something else.

President Putin, the floor is yours.

**President of Russia Vladimir Putin:** Good afternoon, friends and colleagues.

Mr Arce. Mr Mnangagwa. Friends. Ladies and gentlemen.

I am delighted to welcome all of you to the 27th St Petersburg International Economic Forum.

More than 12,000 people from more than 100 countries are taking part in the forum this year. They include shareholders and top managers of major corporations, recognised experts and analysts, political and public figures, and public officials.

Traditionally, the St Petersburg forum not only provides an opportunity to establish business contacts, agree on cooperation or launch promising projects, but also facilitates open discussions on topical trends in global and regional markets. It allows participants to examine the processes that are dynamically developing in today's world through the prism of economic relations.

We can see that a real race is beginning between countries to promote their sovereignty at three key levels: the state, cultural values, and the economy. At the same time, countries that until recently were leaders in global development are striving to maintain their elusive role as hegemon, using any means necessary. In reality, there is nothing unusual here, when a country or a person tries to maintain or strengthen their positions in life, but resorting to lies for this purpose is unacceptable. Strengthening positions honestly is commendable, but doing so through lying is not.

Of course, it is evident that China currently holds the position of the world's number one economy by a significant margin from the second place. India is the third largest economy in the world and a global leader in terms of development dynamics.

The voices of South Asian and African countries are becoming increasingly prominent, with their high birth rates and a low level of urbanisation so far, as well as rapid, catch-up economic growth. According to expert assessments, these countries will shape the global economic landscape closer to the middle of this century.

It is worth noting that today the world is undergoing explosive technological growth in almost all areas of life. This growth is transforming management, production processes, and even entire industries. It is evident that countries that not only produce new solutions, but also ensure their rapid and advanced implementation will be able to fully take advantage of technological progress.

Russia has demonstrated its high level of readiness and receptiveness to technological change. We can see how our financial sector, e-commerce, transport services, and public administration system have already undergone significant changes. Similar processes are now beginning to unfold in the Armed Forces, where a high rate of technological renewal is also required. This is the most important and defining issue for our country.

I am sure that at present, as much as in the long run, the role, weight and, I daresay, even the future of states depends on how effectively they are able to respond to global challenges, to use their potential, capabilities, and their competitive advantages, and work around their weaknesses, and maintain and strengthen partnerships with other countries.

Last February, I outlined the priorities for Russia's development in my Address to the Federal Assembly; since then, a comprehensive programme of economic transformation has been formed, through the end of this decade and beyond.

The format of this forum warrants a focus on the economic aspect of our development, on the qualitative and structural changes that are taking place in our country, and which we intend to vigorously and purposefully support by directing financial, human and organisational resources at the federal, regional and municipal levels to this end, and through implementing national projects, which we discussed at length at the recent meeting of the Council for Strategic Development.

What kind of changes am I talking about?

First, in view of the international status of this forum, I will start with foreign economic relations, the presence that Russia strives to gain on international markets, and our plans for restructuring our exports and imports.

Despite all the obstacles we are facing and the illegitimate sanctions imposed against us, Russia remains one of the key participants in global trade and is rapidly expanding the new logistics and geography of cooperation. We are strengthening ties with the countries in Asia (a growth of 60 percent from 2020 to 2023), the Middle East (100 percent), Africa (69 percent) and Latin America (42 percent). I assume that my colleagues, the guests of this forum, the presidents of Bolivia and Zimbabwe, will touch on this subject in their remarks.

Today, the countries that are friendly to Russia – and as we can see, these are the countries we should primarily focus on, the rapidly growing economies that will determine the future of the global economy – account for three-quarters of our trade.

We continue to work productively with our EAEU partners, ensuring a balance of interests of all parties. Last year, the EAEU's total GDP grew by 3.8 percent, and mutual trade, by 4.7 percent. Moreover, its structure has qualitatively improved, namely, the supply of finished high-tech products has grown. We will continue to actively support non-resource and non-energy exports from Russia. By 2030, these exports should grow by at least two-thirds compared to 2023.

Again, this is not just about scaling up exports in terms of tonnes, cubic metres or units of finished products, but about high-value-added goods. It is about bigger changes than Russian companies' expansion to new regional markets and greater geography of cooperation. All of this is important, but today, it is not enough.

With regard to other countries, we are willing to come up with an offer of creating full-fledged technological or industrial partnerships that include the provision of a full-life cycle for goods and services replete with training of national staff, localising production, and providing engineering support, as well as technical service, insurance, and so on.

Such approach to cooperation that relies on equal partnership and technology and competency transfers rather than market control makes it possible to establish

stronger ties between the countries, improves our companies' sustainable positions on the global market, and enables them to establish lasting partnerships with their foreign partners. This is exactly how one of our leaders, Rosatom, the undisputed leader of the global nuclear industry with broad horizons and plans for the future, operates.

Clearly, foraying into new markets is hard without strong transport links. The Eastern Operating Domain is our key project with regard to China, and the countries of the Asia-Pacific region. Its third phase of upgrading was approved in April. By 2030, the Eastern Operating Domain's capacity is expected to have increased to 210 million tonnes, and to 270 million tonnes by 2032.

We will keep a close eye on the southern direction. Plans for developing the North-South international corridor and the Azov-Black Sea corridor have been approved.

The Northern Sea Route is on track to become a global artery that enjoys high demand. Last year, it carried 36 million tonnes of cargo, and this number is projected to increase to over 150 million tonnes over time. To get there, we will continue to expand the Northern Sea Route infrastructure, and to build access roads to the Arctic ports. The leaders of the northern constituent entities of the Federation are to play a special role in this work. In this regard, we will form a State Council commission on the Arctic regions and the Northern Sea Route.

The cargo volume carried along international transport corridors across the Russian territory is expected to increase by 50 percent in 2030 compared to 2021, primarily due to increased competitiveness and the ease of use of these routes for businesses and carriers.

Development of the cross-border payment infrastructure is a separate issue which is important both for the exporters and importers. It is no secret that the reliability and trust in Western payment systems have been fundamentally undermined, by Western countries themselves. In this regard, I would like to note that last year the share of payments for Russian exports in the unfriendly states' so-called toxic currencies was halved. At the same time, the share of the ruble in export and import transactions is growing. Today it is approaching 40 percent.

Over 2021–2023, the share of the ruble in payments for Russian exports almost tripled, went up to 39 percent. Tripled.

Together with our foreign partners, we will increase the use of national currencies in foreign trade payments and improve the safety and efficiency of these operations. Among other things, BRICS is working to establish an independent payment system that is not subject to political pressure, abuse and external sanctions interference.

Let me remind you in this context, that new participants have joined the BRICS activities this year: Saudi Arabia, Iran, the United Arab Emirates, Egypt, and Ethiopia. Thus, the share of our association in global GDP increased to 36 percent, and in the planet's population to 46 percent. That said, BRICS has great potential for the accession of new members. Of course, we welcome and support this intention of interested partners to develop contacts with BRICS on different continents.

We will continue to develop relations within BRICS not only in the economic and finance sector, but also in security, humanitarian and cultural cooperation, and other areas. We will act considering global challenges and objective trends and, I want to emphasise this, the growing capabilities of national economies.

In this regard, let us talk about the second significant structural change. This is the achievement of a new quality and content of economic growth in Russia, and a change in the sectoral structure due to an active supply-side economy policy.

As you know, at the end of last year, Russia's GDP growth amounted to 3.6 percent, and in the first quarter of this year, it amounted to 5.4 percent, so our rates exceed the world average. It is especially important that these dynamics are ensured primarily by non-resource sectors.

Let me also add for reference, that in 2023, 45.5 percent of economic growth was ensured by basic industries, as I said. What are they? Manufacturing, construction, logistics, telecommunications, agriculture, electricity and other housing and utilities services. And 61.6 percent was ensured by providing industries, which are trade, hotels and restaurants, financial and other services).

We have set the goal of ranking among the four largest economies in the world. By the way, according to certain information, including assessments by the World Bank – it made additional calculations the previous week and put Russia in fourth place. We are ahead of Japan now.

Russia is placed fourth by GDP and by purchasing power parity. As I said, ahead of Japan. But I'd like to stress the following. Of course, the point is not the GDP estimation and calculation system, not even the formal fourth place achievement. We are close by: Russia, the Federal Republic of Germany and Japan. The difference is small. Russia is ahead, but the difference is small. Given this, we do understand that leadership positions have to be permanently proven and consolidated. Other countries are not standing still either. It is important for us to ensure consistently high rates and quality of growth for a long term. This is our goal today. And it is not just the economies of Germany or Japan, which are next to us on the scale. The point is that other countries are moving forward too. Indonesia is close on everybody's heels. The population is growing, the economy is growing. We should never forget it.

The solution to this challenge requires stronger financial, technological and personnel sovereignty, building up of production capacities and higher competitiveness of Russian products both in foreign markets and our own domestic market.

The development of such a model of supply-side economy should result, among other things, in the reduction of imports to 17 percent of GDP by 2030. Our dynamics are quite good. Look: in 1999, the share of Russia's imports reached 26 per cent of GDP, and in 2023, it was 19 per cent of GDP, or 32 trillion rubles. That is, as I said, the dynamics are absolutely clear and positive.

I make it a point that the share of imports should be reduced, certainly not at the expense of administrative and prohibitive barriers but thanks to our own competitive production facilities, which are ready to satisfy domestic needs in the products of the manufacturing industry, agriculture, services, IT and many other sectors.

There are many successful examples of such strategy. For example, we have created a modern meat industry in the agro-industrial sector. Its capacity has almost doubled over 15 years. Today, Russia ranks fourth in the world in meat production and is increasing



the supply of these products to foreign markets. By the way, Russia has reached 100 percent self-sufficiency in meat products. Meat consumption last year, in 2023, updated its record and exceeded 80 kilograms per person. For comparison, the world's average is 42–43 kilograms per person.

I would like to repeat: Our country can and will produce more consumer goods, machine-tools, equipment, vehicles, medicines, and so on. To this end, we need to launch new projects, create modern jobs, and do it everywhere, in all regions of the country.

By 2030, investment in fixed capital should be up by 60 percent in real terms compared to the level of 2020. Everyone here is a knowledgeable specialist and is fully aware of what investment in fixed capital means, what it leads to, and what kind of prerequisites it creates for future growth in the medium and longer term.

I would like to emphasise that, in general, we have done pretty well in this most important area in recent years. In 2021, the planned investment growth stood at 4.5 percent, but was 8.6 percent in fact. In 2022, the plan was 9.5 percent, the actual figure was 15.9 percent. In 2023, the plan was 15.1 percent, but it actually turned out to be 27.2 percent, which is almost double the initial plan which is good.

Of course, investment activity should be properly funded. I have earlier said that we will set aside additional funds for industrial mortgage programmes and almost double the size of the Industrial Development Fund.

We will also increase the capacity of the Project Finance Factory at the VEB-operated Development Institute. Projects worth over 2 trillion rubles are being implemented under this programme. I suggest incrementally expanding the limits of the fund. At the first stage, we will increase it to 600 billion which will allow us to additionally support real sector projects worth up to 6 trillion rubles.

Increasing the volume of bank lending for technological sovereignty projects is important. We will fine-tune the taxonomy of such projects, i.e. line up the priorities for supporting and increasing investment in key industries and technological projects aimed at structural changes in the economy. We will increase the number of projects under this system, which will make it possible to attract additional funds which will go into implementing them.

The state is willing to share risks with investors. For example, the Foundation of Funds for Advanced Industrial and Infrastructure Projects is now operational. We have been discussing its parameters for a long time. The Government debated it, and we tried to coordinate it with the business community. People who were involved in this are here with us today.

Private investors are heavily investing in the Russian economy alongside the Russian Direct Investment Fund which is another area of our work.

The State Duma is considering draft laws that will expand the public-private partnership mechanism to include industries and the space sector. Please have these regulations adopted as soon as possible.

And another thing: to support investment activity, we naturally need to develop the capital market, increase its capacity and appeal for businesses and investors, and, of course, pay special attention to the safety and profitability of people's funds invested in these assets.

Today there are almost 30 million so-called retail investors in our country – these are our citizens. The total volume of their assets increased by 50 percent over the year and totalled more than nine trillion rubles. At the same time, the demand for the shares of Russian companies has steadily exceeded the supply.

The goal has already been set: by the end of the current decade, the capitalisation of the Russian stock market should approximately double and make up two thirds of the gross domestic product.

I ask the Government, together with the Central Bank, to propose additional measures to encourage companies to list their securities on the stock exchange. Among other things, we should think about compensating the costs of initial public offerings for small technology companies.

This is an appeal to the Ministry of Finance and the Central Bank. The companies' costs, including those related to bank posting, placement and so on, should be reduced as much as possible. And of course, it is necessary to ensure the inflow of so-called long money into the financial market, including long-term savings of citizens.

I would like to remind you that starting January 1 of this year, a special programme to support voluntary long-term savings of citizens has been launched. Now they are insured and co-financed by the state and can also be tax deducted. The programme has only recently been launched and is still lagging behind its targets. I propose to fine-tune it, namely, to increase the period of co-financing of citizens' savings. Now it is three years. I believe it is right and reasonable to extend it to at least ten years.

At the same time, I ask the Government, together with the Central Bank, to consider additional incentives for businesses so that employers could also co-finance their employees' savings under this programme. Now, given the shortage of labour, this would be appropriate and would even benefit the enterprises themselves, which would retain employees.

I would like to add that a new instrument – a savings certificate – will be introduced this year. It will make it possible for citizens to place funds in banks for a period of more than three years and at a higher interest rate than on ordinary deposits, although even now the deposit is quite solid, and our leading financial institutions are pushing this bar higher and higher. I don't know whether this is justified or not, but it is certainly a bonus for deposit holders, so much is clear. But I would not like you, Mr Gref, along with Mr Kostin, to suck everything out of other banks like a vacuum cleaner. We will talk more about this later.

On January 1, 2025, contributory life insurance will be launched. What is it about? People's insurance premiums can be invested in more profitable assets, such as shares, and bring benefits to the insurance buyer. That is, the principle of classical insurance and investment is combined, and in order to further guarantee the return of these funds, I propose providing state insurance in the amount of 2.8 million rubles, like for long-term savings.

Next, today there is an investment tax deduction mechanism in the regions. Thanks to it, companies that invest in development can decrease their income tax. Starting this year, the deduction is tied to projects of technological sovereignty and structural adaptation of the economy. This makes it possible to manage the quality of investments and stimulate capital expenditures in priority areas.

I am asking the Government to make sure that the deduction can be applied not only within one company, but also within a group of companies, and also to provide additional resources for the financing mechanism to replenish the tax deduction.

In this regard, I will remind of the decision that has been made: regions will be able to use part of the funds released after writing off budget loans to cover their shortfall in income due to the investment tax deduction. The Ministry of Finance has taken this step. I think it is justified in today's conditions and will help all active participants in economic activity. I will elaborate on this later. In addition, I am confident that the regions will also support investors directly through their budgetary capabilities, which are also growing there.

Let me emphasise: what I have said is about the investment tax deduction in the Russian regions. In addition to it, a federal deduction will be introduced as part of a reconfiguration of the tax system, aimed at encouraging business investment in development, achieving greater social justice, and reducing inequality between citizens. In the near future, it is necessary to determine the parameters and volumes of the federal investment deduction together with business associations, so that it becomes an effective, widely used tool.

Going back to the regions' efforts to support business activity, I would also like to note such mechanism as the regional investment standard. Its purpose is to ensure uniform principles for attracting investors throughout the country, based on businesses' requests and recommendations, that is, to create a universal investment ecosystem in each region and a clear algorithm of actions for businesses to locate production facilities in.

Of course, these support measures are available to all of us and are in high demand. Today, the regional investment standard has been introduced in all the regions, and relevant specialists responsible for interaction with investors have been trained.

Colleagues, friends.

I would like to say words of gratitude to regional teams and business associations, as well as the Government, for their efforts. I am aware that there is a proposal to enshrine the investment standard in legislation. I suggest that the Government discuss this with the business community and the regions.

Importantly, our primary goal is to get this mechanism rolling and to use it widely in real life. This is our immediate goal. I believe the top-performing teams should be incentivised at the Government level.

Notably, launching the regional investment standard enabled many constituent entities of the Federation to make a leap in the investment climate national rankings. As is customary, its results are presented on the platform of our forum. I will say more about them later.

Over the past year, the exchange of experience and replication of leadership practices made it possible for 74 Russian regions to improve their integral index which is significantly more than last year. The republics of Buryatia and Mordovia, as well as the Lipetsk, Ryazan, and Arkhangelsk regions are among the regions with the best dynamics. I congratulate our colleagues on their top performance results and wish them every success as they go forward.

On top of that, we will focus on improving the national investment climate rankings, including sharing advanced solutions in this area with our BRICS partners. In addition, at a recent meeting of the Supervisory Board of the Agency for Strategic Initiatives we agreed to finalise the ranking compiling technique and to build it on the basis of the national model of targeted conditions of doing business. This is our improved and more objective answer to international rankings.

Colleagues,

The new quality of the labour market is the third major structural change that we are looking for. Unemployment in Russia was at a record low of 2.6 percent in April. Importantly, we have brought down its structural component, meaning that youth unemployment and unemployment in the regions and localities where it was historically high is significantly down.

Fifteen to 20 years ago, the main question was how to find employment whereas now it is where to find employees. Given the circumstances, it is important to reconfigure the vocational education system to meet the labour market demands, to train specialists

with up-to-date and sought-after skills, and to open opportunities for employees to advance their professional skills throughout their career.

For this purpose, we are making a forecast of the staffing needs of the national economy. We will transform the system of vocational training and development based on the forecast. By the end of the current decade, the share of qualified employment, i.e. specialists working in industries with high added value and, therefore, higher wages, should increase in our labour market. Let me reiterate: the objective of the human resource development system is to ensure this transformation.

The Professionalism federal project plays a major role here. It has already made it possible to start upgrading the material and technical base of colleges and technical schools, update educational programmes for aircraft- and ship-building, pharmaceuticals, electronics, defence and other industries. By 2028, about one million specialists in vocational professions will have to be trained for these sectors. We have already talked about this on many occasions, and I just want to remind you of it today.

As for higher education, in the next ten years Russia will have 40 university campuses with advanced conditions and opportunities for students to study, research, live and work. I would like to emphasise once again: we will assess the work of higher education institutions, Russian universities, colleges and technical schools by how much their graduates are in demand and how their salaries are growing.

At the same time, our economy needs not only young personnel, but also experienced, knowledgeable specialists who are competent in their profession and can teach their young colleagues a lot and become real mentors for them. In this regard, it is important to support the aspirations of people who have reached retirement age to continue working and do good. Their knowledge, skills and competences are an important resource for the economy and social sphere.

What are we talking about? We are talking about the level of wages for working pensioners. We have been discussing this topic for a long time. We just talked about this at a meeting with the governor of St Petersburg [Alexander Beglov], just before our meeting.

I want to talk about a decision that has been raised more than once during my meetings with citizens. Due to financial and budgetary constraints, pensions for working pensioners were not adjusted for inflation in previous years. During this time, this issue, which concerns millions of our citizens, has come to a head, and today we have the resources to begin to resolve it to meet people's interests.

I propose resuming the practice of adjusting the pensions of working pensioners for inflation starting next year. (Applause.) Effective February 1, 2025 onwards, pensions will be increased annually not only for those who have already retired, but also for those who continue working. This will be truly fair.

I ask the United Russia Party together with the Government to prepare a relevant bill and pass it in the spring session. I know that all the other parties represented in parliament will certainly support this.

Further. The fourth structural change is directly related to higher economic efficiency. This indicator until the end of the current decade has been set in the May executive order. Given the demographic challenges that we have faced, the real personnel shortage, the most important condition for achieving high rates of economic growth is an increase in labour efficiency. This is the main resource.

Today I have already said about the need to increase investments and upgrade our enterprises. It is important to do this on a qualitatively new technological basis with the broad use of automation. Thus, Russia must be among top-25 countries of the world in terms of robotic process automation in the short period of time. It means installation of over 100,000 robots. That said, their production must be developed at an accelerated rate in our country based on our own technology, and no doubt, we have such an opportunity.

At the same time, it is also important to improve the efficiency of the existing equipment and technological processes. The key tool here is the adoption of prudent production methods. Such work is being carried out as part of a relevant national project. More than 6,000 enterprises and over 120,000 specialists are already involved in it.

This year is the final year for the current national project. It is necessary to extend the federal projects included in it within the framework of the new national project Efficient and Competitive Economy. Moreover, this practice should be expanded in order to involve in the projects of increasing labour productivity no less than 40 percent of medium-sized and large enterprises in the core non-resource sectors as well as all government and municipal organisations in the social sphere by 2030. For enterprises and companies, this will mean an increase in production, higher quality of services and more comfortable labour conditions and, of course, higher salaries for their employees. Let me remind you that in the next six years, they must grow at a rate higher than the gross domestic product.

The fifth structural change is a genuine digital platform revolution. In today's environment, labour productivity is directly linked to digitalisation, to the use of artificial intelligence technologies. By 2030 we are to create digital platforms in all key sectors of the economy and social sphere. These tasks will be addressed under a new national project – the Data Economics.

I will add that within six years no less than 80 percent of Russian entities in the key economic sectors should switch over to Russian-made software in production and managerial processes. To support the IT industry, we will stipulate a number of measures, including taking into account the costs of domestic digital solutions with an increased coefficient when calculating profits tax, as well as establishing a reduced corporate profits tax rate of five percent for Russian IT companies. It will be effective until 2030, inclusive.

I ask the Government to elaborate additional steps to support domestic software designers, including identifying the level of purchases by companies partly owned by the state from small technology companies and start-ups. I repeat, this should be a guaranteed level. Purchases may not be lower than this level. We are already using this tool, and it works quite effectively. We need to continue using it.

And of course, it is important to actively apply digital solutions in the construction and housing and utilities sectors, using them to reduce the time and cost of projects. I would like to point out that over the past five years, the duration of the investment construction cycle has almost halved due to the elimination of administrative barriers and clearly excessive requirements. I will not list everything that has been done. Quite a lot



has been done. Yet there is still much to work on. We will continue relevant efforts so that more roads, bridges, factories and plants are built in Russia and, of course, more comfortable affordable housing with high modern parameters of energy and resource efficiency.

In this regard, the housing and utilities sector and road construction have enormous potential, including the use of recoverable resources, the application of so-called smart solutions and 'green' standards based on advanced technologies.

In this connection, the sixth structural change is the accelerated, advanced saturation of economic sectors with modern technologies and innovations. This is one of the priorities. In six years, we plan to become one of the world's top ten leaders in terms of research and development. Domestic expenditures for these purposes should increase to at least two per cent of GDP.

In this logic, a number of new national projects will be launched in the field of technological sovereignty in such key areas as production and automation equipment, new materials, chemistry, advanced space services, energy technologies and a whole range of others.

These projects will aim at a whole range of solutions: from popularisation of science and personnel training, support for research and starting serial production to the creation of guaranteed demand for high-tech products. I would like to emphasise that the projects will identify so-called backbone colleges, universities and research institutes. They should become the foundation for a rapid growth of new industries in our country.

Of course, legal base must be improved for the work of businesses and for companies to feel confident when investing in knowledge-intensive initiatives with a long horizon. I would like to note that we have enormous intellectual and creative potential, and it is important for us to fully realise it; and positive trends, of course, are emerging. For example, over the first four months of 2024 alone, almost 8,000 applications for inventions and 3,500 applications for utility models were filed in Russia, primarily in areas critically important for our country: metallurgy, energy, transport, and engine building.

It is critical to ensure that our developers' intellectual property is protected, along with their solutions' commercial effectiveness, so that their inventions are not shelved but go through the entire chain, from procurement to embodiment in a specific product. In particular, it is necessary to provide for the possibility of transferring patents for specific research results (as some experts believe) from the customer to their creators, as well as to small innovative enterprises and technology companies that know how to commercialise inventions and are ready to do so. However, as someone with basic legal education, I understand perfectly well where the "roadblock" is, and legal arbitrariness cannot be allowed. If someone pays for a certain invention, he or she is the owner, this is obvious. But it is necessary to create a soft market mechanism for using these inventions so that they are not shelved. Of course, we should all think about this together with the parliament and the Government.

In this context, the seventh critical structural change is a transformation to strengthen the role of small and medium-sized businesses in economic development. Today there are about 6.5 million small and medium-sized businesses in Russia. When six years ago we set a goal to increase the number of people employed in this sector up to 25 million, it seemed very difficult. Let me remind you that some of our colleagues laughed and said that this was an unrealistic task. Today we can say with confidence: this goal has been achieved ahead of schedule.

Our entrepreneurs, including the younger generations, are steadily gaining momentum, occupying the market, and launching manufacture of products that often surpass foreign analogues in their characteristics.

In addition, Russian businesses are aware that one's own trademark is a token of quality and a solid economic asset. The number of applications for trademarks is growing for clothing and footwear, software, pharmaceuticals, household chemicals, perfumes and cosmetics, confectionery, and so on. Last year, more than 143,000 trademark applications were filed, twice as many as in the pre-Covid 2019.

Incidentally, the trademark registration process in Russia is one of the most convenient and fastest in the world, it is fully digitised. The application review period is 4 months, and following that period an electronic protection certificate is issued.

Importantly, distinctive regional local brands are increasingly being registered. This is, of course, a tribute to the culture and traditions of our peoples, evidence of entrepreneurs' pride in their homeland, the region where they do business. And of course, businesses see that people want to buy domestic goods produced in Russia.

By the way, many of the regional brands belong to the so-called creative industries. More than half of the Russian regions are doing a lot to promote their development. I ask that as early as the spring parliamentary session, we adopt a federal law that will set a clear legal framework for creative industries, and in the future will make it possible to establish common standards for their support.

We will create every condition for small and medium-sized companies in our country to grow even faster. We will improve the effectiveness of existing support measures, and we will offer new ones in addition to them.

I would like to point out that so-called marketplaces play a significant role in the development of emerging small businesses. Together with Russian Post, they build a modern infrastructure, a kind of circulatory system for the delivery of domestic products, allowing companies even in remote towns and villages to gain access to the large market of Russia and the entire Eurasian Economic Union.

I ask my colleagues in the Government to lay special focus on the development of such commodity flows when implementing the updated strategy of Russian Post and, in general, when shaping national projects.

I would like to add that to help domestic businesses promote their products, a nationwide 'Know Our Own' competition has been launched. This year, the number of applications for the competition has increased by 150 percent, and they came from all regions of the Russian Federation. In short, the competition is growing and has proved to be a real business lift.

Importantly, such successful practices should be actively applied at the regional level. I draw the attention of my colleagues, regional governors, to this.

I would like to highlight one more point. Virtually all of the competition participants and, in general, many domestic entrepreneurs support the servicemen and veterans of the special military operation, their families, relatives and friends of our heroes, sending their products to the military units, buying things and equipment, and helping hospitals. Such a high awareness of their social mission, responsibility, patriotism in the best sense of the word is certainly very valuable and deserves great respect. Thank you.

Colleagues,

The next, eighth most important structural change is related to unlocking the potential of Russia's regions. This is about a new geography of development, the creation of growth points in cities and towns across the country, opportunities for people not only in the capital cities, but also in small towns and villages to acquire a profession, find a well-paid job or run their own business, fulfil themselves, live and raise their children in comfortable and modern conditions.

Next year, new national projects and state programmes will be launched to develop the education and healthcare systems, sports and culture, and to improve the environmental well-being of our towns and villages.

We obviously need an economic base for all our measures in the social sphere and demography, for the implementation of federal and regional programmes. It is formed locally, in Russian regions. We will be enhancing the economic capacities of the regions.

In this regard, plans are being discussed, including in the Government, to move the head offices of our largest corporations and state-owned companies to the regions of the Russian Federation. The idea undoubtedly requires elaboration, but it deserves consideration and support. There are positive examples of this. For example, RusHydro's relocation from Moscow to Krasnoyarsk.

And of course, it is important to concentrate resources on promising growth points. This is exactly the approach envisaged in the master plans for the Far Eastern and Arctic regions. We have agreed to approve similar programmes and documents for another 200 towns and cities. These will include all regional centres, as well as cities that play an important role in strengthening Russia's technological sovereignty.

To ensure the regions' vigorous and long-term development, it is essential to eliminate limitations in the energy sector and in the transport system, and to build and repair roads, engineering and utility networks. The Russian regions receive infrastructure budget loans for the implementation of such projects. As I have already said, their volume will be increased next year.

This portfolio will grow by at least 250 billion rubles annually, and in total, by the end of 2030, the amount of infrastructure budget loans issued will amount to 2.5 trillion rubles. Moreover, the funds will be distributed not only based on caps for each region, but also based on the results of the competition of regional and inter-regional projects.

There is one more decision. It has already been taken, and it will support regional finances. We are about to write off two-thirds of the previously issued budget loans. Importantly, the constituent entities of the Federation will need to use the freed-up funds to support investment, including the creation of industrial parks and the infrastructure in the priority development areas, as well as infrastructure, namely, to renovate housing and utilities, to build roads and bridges, to upgrade public transport and to relocate residents of the structurally deficient housing, to fund master plan events, and so on. I would like the Government to work out the details of this mechanism in a dialogue with the regions, and do so soon.

Next, in addition to breaking through the infrastructure bottlenecks, it is necessary to widely bring inefficiently used land plots with abandoned and unfinished buildings back in the economy. There are tens of thousands of such sites in the country. With a proper approach, they will serve people and bring profit to business. According to the General Prosecutor's Office, there are over 181,000 derelict and abandoned buildings and structures in Russia. More than a third of them are not officially registered, and only a fifth of them have titles.

Sometimes, abandoned territories are used as dumps which are usually illegal, and municipalities have no budget to liquidate them. I propose the following solution. If an entrepreneur is willing to liquidate such a dump at his own expense, we can think about giving him a land plot free of charge for use or ownership.

I would like the Government to hold appropriate consultations with the constituent entities of the Federation and to review which ones are owned by federal agencies and which ones are abandoned and unused. It is important to work through every detail and avoid creating bureaucratic barriers, to prevent abuse or “stealing” land plots from cities and towns. Of course, this needs to be thought through, but we absolutely need to do something about it.

I am positive that an effective solution to this issue will not only improve the urban environment and make life more comfortable, but will also directly contribute to increasing capitalisation of urban assets and attract small and medium-sized businesses, as well as developers with interesting residential development projects.

In this regard, I'd like to say a couple of words about mortgage loans. As you know, we have extended the family mortgage programme until 2030. All Russian families with children under six are eligible for a preferential loan with a six percent interest.

I propose additional special solutions in the social sphere for families who live or want to buy housing in small towns or in regions where housing construction is still insufficient. There, families with two children will be able to take advantage of a six-percent family mortgage regardless of their children's age. The only condition is that at least one child in the family must be a minor at the time of the mortgage formalisation.

And one more point. The same preferential mortgage terms will be in effect in all Russian regions for each family set to build a house. This is particularly important for big families with many children.

I ask the Government to launch these programmes starting with July 1 of this year.

I should add that in order to improve the look of our cities, we will continue the nationwide competition of best projects of a comfortable urban environment. This programme is really popular, and people offer a good feedback. We will also launch a programme for construction and improvement of embankments and parks.

Restoration and reconstruction of cultural and historical heritage sites will be a separate track. By 2030, at least a thousand of such sites across the country must be put in order,

given a second life, so that they serve people, serve to preserve and promote our identity, make towns and villages more beautiful, and increase their tourist attractiveness.

The development of domestic tourism is one of the priorities in our long-term strategy. In six years, the share of the tourism industry in the gross domestic product should increase to 5 percent, and the number of trips across the country with hotel accommodation should grow to 140 million people. We will create comfortable and affordable conditions for holidays, including the construction of hotels and small campsites, ski resorts and amusement parks.

Our economic and social policy measures must be not only effective, but also fair. And in this sense, the next, ninth structural shift is to reduce poverty, reduce inequality, and increase the incomes of Russian families, which, in turn, has a direct effect on the quality of people's life, on increasing domestic demand and the domestic market capacity. All instruments, including payments to families with children, tax deductions, and social contracts, should be used to deliver on this objective.

Without a doubt, as I said earlier today, the main tool is to ensure that salaries grow at a rate that exceeds inflation. There is an important decision that concerns adjusting the minimum wage which, as of now, exceeds the subsistence minimum, as the Constitution says, and we will tie its adjustment in with the overall growth of wages in the economy as we move forward.

Starting next year, we will introduce a ratio of the minimum wage to the median wage received by the majority of the employees in our economy. In 2025, the minimum wage will amount to 48 percent of the median wage, thus exceeding 22,000 rubles per month, meaning that it will grow by about 15 percent more. Then the ratio with the median wage will increase so that, as agreed, the minimum wage will amount to at least 35,000 rubles a month by 2030.

Finally, the tenth structural change, which is essentially integral, is about improving the quality of life of Russian families. This was discussed in detail in the Address to the Federal Assembly. To reiterate: all areas are critically important in this regard. That includes supporting child birth and large families, protecting motherhood and childhood,

increasing the availability of long-term care for the elderly and people with disabilities, improving the education and healthcare systems, and the quality of life.

These changes should manifest in longer life expectancy, with an emphasis on active and healthy life and, of course, forming equal opportunities to help younger generations rise to their full potential and thus improve the standard of living of Russian families.

Colleagues, friends,

The global economy has entered an era of major changes. A multipolar world with new growth centres, investment and financial ties between states and companies is taking shape. Russia's economy is responding to these challenges and is also changing dynamically, as it gains more strength and stability.

To a great extent, the credit for this goes to our workers, engineers, managers and, of course, entrepreneurs, who are increasing investment in growing their companies, enterprises, cities and regions, and bringing to the fore values such as responsibility, trust, and service to their people and their country.

We will increase the support for positive changes in society and the economy. Our long-term systemic plans to strengthen the financial, technological and human resources sovereignty of our country and to improve the business climate are focused on achieving national development goals. In this work, we are open to the broadest possible cooperation with all interested partners, including foreign companies, countries, and integration associations.

I thank you for your patience and wish you every success.

Thank you very much.

**Sergei Karaganov:** Thank you very much, Mr President, for this brilliant speech. I think that it really inspired this audience, as well as everyone who tuned in to listen to us from across the country. This also goes for our men on the frontlines who are there to fight yet another Western aggression. You said it right.



I now have the privilege to give the floor to President of Bolivia Luis Arce so that he can deliver his remarks.

(Remarks by the President of Bolivia to be published soon).

**Sergei Karaganov:** Thank you, Mr President, for sharing your insightful and instructive remarks. In your speech, you demonstrated that the economy as a research discipline cannot be nationalised or viewed as a science. It is an art, and every country must be free to pick its own economic model.

In this context, I have a question for President Putin.

Mr President, may I suggest that we make up our mind so that you instruct us to work with economists like Luis Arce to devise our own economic model? We are clearly up to something here, although it is just as obvious that we have yet to decide what exactly we are up to. Moreover, we have embarked on an effort to expand defence manufacturing, and have been quite successful, even if this has so far been more of a hit-and-miss situation for us. I do not think that there is any general outline or master plan guiding these efforts.

What do you think about establishing a permanent structure within this economic forum or somewhere around it with the primary purpose of using our own intellectual capacity by reaching out first and foremost to those who work on the ground, the practitioners? Unfortunately, most researchers in economics have been sticking with an obsolete model, and I know what I am talking about, since I used to be one, even if we it is true that the once an economist, always an economist.

Mr President, we would like you to instruct us, the St Petersburg Forum to set up a working group for devising this new model. This group can hold its meetings on the sidelines of this forum or somewhere around this place. Maybe we can come up with something new and interesting to have a better idea of where we are headed.

**Vladimir Putin:** I feel that we will have a debate rather than a conversation here.

The Government of the Russian Federation as well as other government bodies may well take offence at what you have just said. You said that we are up to something, but I spent

an hour spelling out what exactly we are doing. (Laughter). You have probably dozed off while I was speaking, and we may have heard you snoring, so you missed what I talked about. I spent an hour explaining what we were going to do, about the ten-point programme we have.

In fact, we are not simply up to something. We are working on a new development strategy. We have it, and it took us a year to draft it. We were not alone in these efforts; we reached out to the brainpower you mentioned, I mean the business community and their associations, by holding regular meetings with them. This has always been an inclusive effort for us.

You suggested establishing a corresponding structure of some sort. But we already have them – the Government of the Russian Federation, the Central Bank, as well as the Presidential Executive Office.

As for what you said about creating a working group within the St Petersburg International Economic Forum so that it can do something on its sidelines, you know, there is a famous saying, and we know who coined it: if you want something to fail, set up a working group.

I have to say that we have so many working groups that I can hardly understand which ones of them I must chair. When I am told that there is yet another group and I must chair it, I say fine, I will think about it. You can well meet on the sidelines [literal meaning in Russian – “in the fields”] of this forum, but please do this in summer, since it may get too cold here in St Petersburg out there in the open in winter.

Overall, generally speaking, the country knows you not just as an economist, but also as a political scientist, and quite a brilliant one too. You have been quite proactive and assertive when working on several major issues. Listening to people like you is always quite interesting, and I am not saying this to flatter you. Moreover, I must confess that sometimes I read your writings and listen to what you say. Therefore, I do not reject your offer. We are open to engage in any debate as long as it benefits our economy.

**Sergei Karaganov:** Of course, I agree with my President, but I have a small question: Do we know what model we are building? I would say that authoritarian social capitalism would be ideal for Russia, so that we know where we are headed, because we are

allegedly moving along the right-wing path, and before that we moved along the liberal path. I do not understand this.

Of course, the Government is up to something, and we are proud of what it is doing or has started doing, thankfully. However, it has only started doing it when the rooster crowed, because nothing happened before that.

**Vladimir Putin:** We will east the rooster, because it is not doing its job anyway. What do we need such a rooster for?

As for the development model, I have recently said at a meeting with the heads of international news agencies that we should look at what is taking place in the world. What exactly did I say? For example, many experts regard the Chinese economic model as more effective than any before it, including the North American and European models. It is true that it is more effective, and you have said approximately the same just now, because it combines the elements of a planned economy and a market economy. The Chinese have done it in their conditions, which is an assessment I share, and we can see that this is so from their economic growth figures. It is an objective fact. But this model is effective for Chinese society and the Chinese economy.

Do you know what I would agree with? When you summed up the remarks by my colleague, you said that the economy is a science but it is also an art, to a degree. This is probably true. Such models can be rigid. When they are applied to different countries living in different conditions, at different development stages, such rigid models are ineffective or do not work well. Therefore, we must always proceed from reality, from the realities in our country. Everything is important here: our history and culture, the situation in our society, and the objective development level is extremely important as well. We must know what is effective in our society and what is not.

There are certainly basic elements. We take them into account. Rooster or no rooster, but a 3.4 or 3.6 percent of [GDP] growth last year – the final figure has not been calculated so far – is a good figure. And a 5.4 percent growth in the first quarter of this year is a good figure too. But it is the result of the joint efforts of the Government, the business community and, to a degree, of the Central Bank and the Presidential Executive Office. It is the result of our purposeful actions.

I have said just now about the foundation of our model that we are building it. We continue to take decisions related to the adjustment of our economic model.

**Sergei Karaganov:** Like any other citizen of Russia, I am happy that over the past two years we got down to business in connection with our special military operation. Before it, we moved along with the currents. That is why I am speaking about the need to come up with a clear understanding of where we are moving. In principle, we will talk about this later.

And now, let us listen to Mr Emmerson Mnangagwa. Please, let us listen to your experience. Your country has been developing in extremely difficult conditions. How many years has it been living under sanctions? Nearly since its establishment, hasn't it? Nevertheless, you have survived and even started developing. How did you do it?

**President of Zimbabwe Emmerson Mnangagwa:** Your Excellency Vladimir Putin, the President of the Russian Federation,

Your Excellency Luis Arce, President of the Plurinational State of Bolivia,

Distinguished guests, ladies and gentlemen,

Allow me to extend my heartfelt appreciation to our gracious host, my dear brother, His Excellency Vladimir Putin, for the warm hospitality and for creating this platform for us to discuss critical issues that affect us in today's global landscape.

Your Excellency, may I, on behalf of the people and the Government of Zimbabwe, and on my own behalf, personally congratulate you once again on your re-election as the President of the Russian Federation. Your commitment to the welfare and the prosperity of your people and the defence of independence, peace, security and territorial integrity of the Russian Federation is unparalleled. Zimbabwe is confident that your continued leadership would accelerate progress and development of your Motherland, the Russian Federation.

Your Excellencies,

It is regrettable and unacceptable, but the collective West continues to pursue hegemonic tendencies that blatantly violate sovereign equality of nations, justice and fairness as embodied in the United Nations Charter. There is general consensus that unipolarity has no place in modern global politics and international economic relations. The reality points to a redistribution of power among nations, as well as the emergency of multiple centres of economic growth, innovation, and cultural influence. We recognise that a multipolar world is the panacea to both opportunities and challenges that confront humanity today.

The old geopolitical global order, dominated by a select few, resulting in the perpetual marginalisation of most of us in the Global South is no longer acceptable. A situation where some Western countries try to dictate to us who our friends are and who our friends should be will also never be tolerated by us in Zimbabwe.

Advancing and embracing multipolarity has great potential for us in Africa and the developing Third World, to realise balanced inclusive development, modernisation and industrialisation, as for the Second Republic in Zimbabwe. Zimbabwe is guided by the philosophy that we are a friend to all and enemy to none. We are convinced that mutually beneficial cooperation, partnerships and investments, encradled by complementarity are a more sustainable foundation for a multipolar world and the formation of new areas of growth.

To this end, we welcome the transformation of the global economic relations in the geopolitical landscape, through BRICS, with additional new members, along with other emerging economies.

In these efforts, the role of Africa remains critically important not as a major supplier of raw materials, but as a dependable global partner in every facet of human endeavour and development. As we pursue new areas of growth, the abandoned subsoil assets of Africa should be a leverage to drive shared sustainable development and economic prosperity. The new global supply chains demand that Africa be accorded the requested support with regard to value addition and beneficiation. Further, there is need to enhance the productive capacities of Africa. This is more urgent in view of Africa's vast natural resources in critical green minerals, large tracks of arable agricultural land, and youthful population with robust entrepreneurial spirit coupled with the united market presented

by the Africa continental free trade area. All this leads to the right mix for shared growth under a fair, just and mutually beneficial multipolar global order.

In our case, this of Zimbabwe, we call for the removal of illegal sanctions, which you have mentioned. They have held back our economic development and growth for the past 24 years. What is our crime? The crime of the people of Zimbabwe was that they demanded their land to be united with the people and the people to be united with their land.

As all other nations have the same goal and the status, but how for Zimbabwe to achieve that with sanctions imposed on us? To this end, strategic investments in the key areas and sectors of our economy are essentially to unlock our potential. These include infrastructure, education, science and technology, renewable energy sector, and the climate change adaptation.

Your Excellencies,

Zimbabwe is open for business and welcomes investments, partnerships, and collaboration in all sectors of the economy. Technology and innovations serve as catalysts for growth, possessing the capacity to build bridges, grow new industries, and revolutionise our economy.

For us, to leapfrog the development of our economy, we do not need to invent the wheel. As a result, we are embracing the digital revolution investing in science, technology, and innovation, ecosystems, and promoting education with digital literacy at all our state universities.

Our aspiration is to leapfrog Zimbabwe into an upper-middle income country by 2030. In this regard, we actively seek partnerships and collaboration to realise this vision. As a nation, we are leveraging our strategic geographical location at the centre of southern Africa, as well as skilled and educated workforce, abundant resources, and manufacturing expertise to harness the opportunities presented by new prospects for growth and increased trade.

We once again extend a cordial invitation to our brothers in the Russian Federation, investors, to explore business opportunities which are abundant in Zimbabwe.

Your Excellencies,

In a multipolar world, solidarity and cooperation among nations are indispensable. The challenges we confront in the sphere of peace and security, climate change, pandemics, and economic inequalities, among others, demand collective global action and cooperation. This should remain rooted in our shared desire for peace, unity, and development that leaves no one and no place behind.

In this respect, Zimbabwe considers the Russian Federation as a consistent global ally. To harness the opportunities presented by a multipolar world, it is necessary to shift the paradigms in our approaches to cooperation, synergies, investments, and partnerships. Zimbabwe is committed to play its part in this transformative process.

As we embark on this journey together, let us remain mindful that strength lies in our unity, adaptability, and innovation. Together, we can forge a multipolar world that is more just and inclusive and prosperous for all.

Zimbabwe, in spite of 24 years of sanctions by the West for the crime of claiming our land, which every country has done... Sanctions have been imposed on us for the last 24 years. However, because of resilience, peace prevailing in the country, Zimbabwe's GDP has grown during the Second Republic, from \$26 billion in 2018 to now \$69 billion in 2023, despite of the sanctions imposed on us.

We also embrace the policy, as a people living under sanctions, to move on with everybody of our people, with the philosophy that a country is built, developed, defended and prayed for by its own people.

As a small country in the southern hemisphere, Zimbabwe has abundant land for agriculture. And with the modernisation and mechanisation of agriculture, we can easily become the basket of food security in our region. And to that end, we seek assistance of those in the first world, in developed world to assist us to leapfrog in the modernisation and mechanisation of agriculture.

As I conclude, allow me, Your Excellency, my dear brother President Putin, to thank you on behalf of the people and the Government of Zimbabwe, and indeed on my own behalf,

for the generous and timely donation you have given to our country in the critical time of need.

I also appreciate, Your Excellency, for availing, through Uralchem and Dmitry Mazepin, a vessel for the transportation of fertilisers to Zimbabwe. We are grateful that we received it correctly, at the time we needed it in terms of the tropical season for agriculture.

This, however, my dear brother, is a demonstration of your commitment to support small and developing countries like Zimbabwe. And, in your endeavour for the consolidation of our relations, we in Zimbabwe look upon you as a dear and trusted friend of the people of Zimbabwe, who for the last 24 years suffered under sanctions.

There is no light that can be removed. In spite of that, my dear brother, our economy has grown, and it is the fastest growing economy in the region now in spite of the sanctions imposed by the West. Therefore, as a demonstration of your commitment to support small countries like Zimbabwe, we have achieved food security, as you supported us in fertiliser acquisition.

May I, on behalf of my country, my people and myself, cherish your consistent support to a country under sanctions. And in that regard, I wish to promise you, Your Excellency, that we are better off with the continued imposition of sanctions, because they cause trade to survive.

For that, my dear brother, I thank you.

**Sergei Karaganov:** Thank you very much, Mr President.

We are proud of you, but we are also proud of ourselves to some degree, because we are contributing to your success in the time of ordeal. Now we will get down to formal discussion.

In fact, all states' development is based on three factors: the factor of military power, the factor of ideas, spirit, and will, and, finally, the factor of the economy.



For many years, we believed – like a certain president of a very large country – that everything is decided by the economy. Do you remember everyone saying, “It’s the economy, stupid.” The stupid one was the person who said this, because in fact all these three factors play a role.

Of course, now, at a geostrategic turning point, military strength and the strength of spirit, the power of ideas, come to the fore. Nevertheless, the economy is essential: there will be no strength without the economy, and without the economy, without bread, the spirit of the people will be undermined. We have already been through it – in particular, in the 1980s. Therefore, let us begin with economic and political issues.

Mr President, I am turning to point eight of your programme. Though you have not said where we are going, all points are great. Point eight of your programme is about territorial development, though you did not list one area that I find strategically important.

We have completed our journey to the west, which was very useful and gave us a lot. It is completely clear that in the current global circumstances, we need to shift the centres of our spiritual, economic and partly political development towards Siberia and the Far East, as well as because of the long enmity with the West – God willing, it will not go completely violent – but most importantly, due to the fact that we have turned to another world that is emerging.

At some point, you proclaimed “a turn to the east,” but this turn happened initially only because of the Far East; later the Northern Sea Route was added. In your speech at the 2019 forum, you said it was necessary to develop large scientific and production centres in Central Siberia. After that, the coronavirus outbreak happened, followed by the special military operation, and this idea plunged into oblivion.

Perhaps we should go back to it. We really need to move the entire country there, “siberialising” Russia. You have mentioned the Minusinsk Basin. Perhaps we should create new industrial centres for the deepest processing of non-ferrous metals and new energy, especially new power engineering there, as well as centres to produce all wood-chemical products closer to Lake Baikal. Maybe we should still develop a new strategy for the development of the entire Siberia: the “Siberialisation” of Russia. Why don’t we dare to do this? Of course, we had a project for the development of the Siberian (Federal)

District. I studied it, and, as far as I know, you did not like it either. However, I believe that the development of the entire Siberia must begin as soon as possible.

**Vladimir Putin:** I agree that we need to develop our eastern regions such as Western Siberia, Eastern Siberia, and the Far East.

We started with what was not only the most relevant but also the most urgent thing in terms of territories preservation and development; we started with the Far East. There was a drastic decline in population, and we could not allow this process to continue. I hope that the efforts taken over the past decade to develop the Far East are obvious. I am not going to mention them all now; we have a fairly comprehensive programme.

The same applies to Siberia in its entirety – once again, both Western Siberia and Eastern Siberia. The former has traditionally developed since the Soviet era, given its [vast] mineral resources that our country still uses. But gradually, these centres of economic development are shifting to the east and north. To quote a famous saying of the past (and we remember who said it), “Russia’s power will grow with Siberia.” Now, we can say that Russia’s power will grow with the Arctic as it appears to have major mineral resources; they are still complex and expensive to develop – yet, the prospects are vast.

Essentially, this is what we are doing now. I just mentioned the development of the Eastern Operating Domain’s railway network. But we started this work there a while ago. When did Russia actually start building it? Was it during the construction of the Trans-Siberian Railway? It was even prior to the Russo-Japanese War, and then during the Baikal–Amur Mainline construction in the Soviet era. In our recent history, we have also set the goals of achieving progress in this regard.

We made certain miscalculations by thinking the load would not be as severe, as the Government believed, so we slightly shifted the development of the Eastern Operating Domain to later dates. But it went on anyway, although not as extensively as we initially planned. We will certainly work on this.

But in today’s conditions it cannot be implemented the way it used to be done in the Soviet era. And it even cannot be done the way it was carried out under Stolypin. He simply distributed strips of land, which was the main means of production at the time. But

today, the main means of production is brains. We need to develop technologies, build universities, and train the professionals we need. And these are the efforts we are taking as well.

When I spoke about campuses at 40 universities and mentioned advancement of science and education, as well as the need to use robotic devices and AI, what I meant was that this all will largely develop in Siberia. This is what we are doing; we will have our respective major companies relocated there. Also, unfortunately, this cannot be done through a solely administrative way.

I mentioned RusHydro, a company that already operates in Siberia, one of the world's largest, if not the largest, hydroelectricity company. Also, when appointing head of the company, I asked him, "Do you accept it on the condition that you move to Siberia and the headquarters move to Krasnoyarsk?" He said, "I accept." And when I asked whether his family would travel there with him, he said they would do so.

You know, it is not as easy as simply constructing a building; you have to employ professionals. He was ready to move there right away. But hiring professionals is not easy; you need to do it on location. Some people are willing to move, while others aren't; some are simply indispensable. This is a process that should occur naturally. But this is certainly our goal, and I totally agree with you on it. We need to eventually move in that direction. I mean that the centres of global development are located there, and obviously, we need to get closer to them.

Long ago, Peter the Great opened the window to Europe. He did so because major development processes were occurring there, which is understandable. Today, centres of global development are shifting to Asia, there is no doubt about it. And, obviously, we need to move towards these development centres. So you are right.

**Sergei Karaganov:** I have a quick question that I have prepared a long time ago. Peter the Great made history by opening a window to Europe, thus strengthening Russia. Back then, it was the most promising market. Why don't we establish a third capital and finally stand on three pillars? It could be located near one of the major cities. Young, energetic individuals would flock there, rejuvenating the elite. By your order, several ministries could be relocated there. You said earlier that it is impossible to relocate something using

administrative resources, but it is feasible. Many companies would be willing to relocate if incentivised by competitive salaries. It's all up to your decision.

Are you willing to repeat Peter's feat? After all, he succeeded.

**Vladimir Putin:** Peter the Great is a historical figure who served as the Tsar of All Rus and later as the Emperor. However, the conditions, the state of society, and goals during his reign were vastly different from today's.

In the contemporary world, it is crucial to employ tools that will be effective today. While our inclination may be to make swift administrative decisions, we must also consider the implications of our actions and what we offer to society in a spontaneous manner in the form of an order.

In my opinion, it is essential to prioritise capturing people's interest in progressing forward. By fostering conditions conducive to development, the centres of economic activity will naturally shift towards those areas.

As an example, let us consider the Far East. Many years ago, I visited a shipyard near Vladivostok. It was in a state of disrepair. I told them, "We won't just restore this place; we will create new competencies, we will build new ships." I had to face the scepticism of the workers and engineers who surrounded me. I must say, it took tremendous effort to establish the cluster that is now being built there.

It is not just about the money, which was consistently embezzled – I have to admit this unfortunate reality. We attempted to revive the project two or three times. Eventually, Igor Sechin, the current head of Rosneft, took charge and launched there impressive large-tonnage shipbuilding – a huge enterprise. However, it required tremendous effort; it is not easy to accomplish all of this.

Why am I mentioning this? Because qualified personnel emerged there. As salaries increased, people began relocating there. This led to higher wages, improved technological culture, and the emergence of cooperation with neighbouring countries in this field of activity.

Now, VTB and Mr Kostin, who sits across from me, are leading our shipbuilding industry. I am delighted that he has embraced this endeavour as if he were always involved in shipbuilding, despite his background as a financier. But what am I trying to convey? We are currently choosing the location for another enterprise, possibly near the ocean or close to it.

This is the natural progression – forgive me if I may seem to challenge your imperial mindset – in a market-oriented manner. And in this case, success awaits us. Certainly, it is challenging work, but it will be meticulously executed.

When I referred to Stolypin, yes, it was all spontaneous, we remember everything associated with it, including “Stolypin’s neckties” and so forth. However, at that time, it was the primary means of production, and it made economic sense to implement Stolypin’s approach: distributing the primary means of production, i.e. land, to the people and creating favourable conditions for them. Back then it worked. Now it is merely an order... I believe that my proposal will be more comprehensive, leading us to success along this path.

Overall, you are absolutely right. We need to move in this direction.

**Sergei Karaganov:** Mr President, I don’t consider myself more of an imperialist than you; it is just that I am more strongly in favour of this idea. However, I do know one thing: we have studied this extensively. The countries that relocated or established new capitals invariably experienced significant economic advancement. This is an undeniable truth. Therefore, we must bear this in mind, and I believe we shouldn’t overlook the possibility of a third capital.

**Vladimir Putin:** All right, thank you very much.

**Sergei Karaganov:** Let’s move on now to a broader issue. We can see that the old global economic system is in a state of collapse. It is collapsing due to many reasons. One of the main reasons is that first the Soviet Union and then Russia cut the ground from under the system, the ground of the Western 500-year domination in the world economy, politics and culture, its military supremacy. We began to cut it, the system yielded, then stopped for a while, then we flopped, and now we have risen up and started cutting out

this superiority again, and the system has crumbled. It's going to fall apart endlessly and for quite some time. This is good, but it is also bad, because there are virtually no new regulatory mechanisms emerging. There is no master plan about what to do.

Our Chinese friends are painting something with very broad strokes, and someone else is also doing something. Have you thought about Russia taking the initiative to create a masterplan for a new world economic system (gathering brains from new countries, and maybe, after a while, good brains from old countries will also come)? To set up, say, in St Petersburg, next to the Forum, on the Forum's site a think-tank, which would create a new world economic and financial system, its outlines.

The Bretton Woods is dead or practically dead. What about creating a St Petersburg system? They will not be afraid of us, by the way, like of the Chinese. If the Chinese take it up, everybody will be afraid of them, and the Indians will not fit. Both Chinese and Indians will come to us. We see that our African friends will also be happy to participate. I think that the Latin American friends will also work with us, and we will be able to use their experience for our domestic construction as well. Could we engage in such work? This is not an imperialist idea. (Laughter.)

**Vladimir Putin:** They want to create such system. (Laughter.)

Look, the Bretton Woods system died a long time ago, in 1976. It was succeeded by the Jamaica Accords.

The Bretton Woods system was based on the gold equivalent. In 1976 (when decisions were still being made), the United States decided to depart from the gold equivalent, and the Jamaica Accords appeared. It detached the dollar from gold. What is the basis of this Jamaica system that is still in place today? Trust in the US economy.

Look what is really happening today: there is no other collateral, that is, except trust in the American economy, in today's world financial system.

It goes without saying that the United States is taking advantage of its monopolistic status on the global financial market and is making serious money in the process. According

to publicly available data, the United States owes the global economy a contingent debt of US\$54.3 trillion.

Here is what this figure is made up of: US\$12.6 trillion is what individuals keep in their bank accounts and their pockets, or under the mattress, as we say, outside the United States. The US companies account for another ten trillion which adds up to a total of US\$22.6 trillion that are backed by nothing else but faith in the US economy. The remaining amount is what people from other countries have invested in the US companies, and their investment in the US companies is secured by reliability of those companies and their market value. Eventually, their reliability also depends on the US economic system.

Here is what is happening around the world in this regard. The US economy is shrinking and its foundation is occasionally becoming cracked. It is not just their debt, which is through the roof, but also the fact they are not always meeting their inflation targets. They have their inflation target set at two percent, but they are cutting through this limit, as they did most recently during the pandemic, all the way to 7.8 percent, which undermines credibility of the US economy.

What is the economy backed by if it is shrinking? It is backed by nothing, and that is a problem. It is an unconditional problem for everyone who holds the US dollar.

Since it is shrinking, and its share in the global economy is shrinking as well, it means we are witnessing an absolutely natural movement towards the creation of multipolarity in the global economy and finance.

We can, no doubt about it, come up with all sorts of systems, but the value of a particular currency depends on the value of the underlying economy.

So, what are we doing now? We are building this joint work with our BRICS partners, and Russia's role can be quite substantial. We have created the New Bank, and we are in the process of creating our own currency instruments. The whole world, well, not exactly the whole world, but a significant portion of the participants in international economic activity is switching to payments in national currencies. I mentioned earlier that 90 percent of our trade with China is regulated in yuans and rubles. In the post-Soviet space,

the share of the ruble is nearing 70 percent, meaning that our role here is significant. However, we must join our efforts to make it more robust.

What are the US financial authorities up to now? My colleagues and I discussed today's session and potential topics late into the night yesterday, and we came to the conclusion that the US authorities are acting like the Luddites in England who were destroying the tools that they used in their work. Today's US authorities are breaking their "tools of greatness." The dollar is one of the few instruments of today's greatness of the United States. They are pushing the global economic agents away from the dollar with their own hands. It will happen anyway due to the shrinking of the US economy, but they are accelerating this process.

Naturally, new instruments are emerging, such as financial instruments of the central banks, which we discuss within BRICS.

There are other angles to consider as well. Our colleague from Zimbabwe mentioned attracting investment. Indeed, it can be done, and not only in relation to Zimbabwe. It can also be done with regard to other African countries, South Asian and Asian countries in general, fast-growing developing economies. However, these instruments should provide safety guarantees for this investment and return on the investment. What is the best asset to guarantee that if not gold? The quality of the proposed investment projects? If we ensure the quality – the quality and stability of the political regimes – and we will need to do so as a team, then we will be able to develop a payment system which will be almost volatility- and inflation-proof. It can be done. I discussed this with my friend and colleague President Xi Jinping during my visit, and I will discuss this with other BRICS leaders. This is a critical area of joint work.

**Sergei Karaganov:** That is comforting to know. But we are running a little late. We keep talking about the basket of Euro-Asian or BRICS currencies for eight or nine years now, but there is no progress, because, as you are aware, competition is rife.

**Vladimir Putin:** Well, there is some progress.

**Sergei Karaganov:** But it is still moving slowly.



**Vladimir Putin:** Payments are made in national currencies.

**Sergei Karaganov:** I am talking about creating SDR. Well, never mind.

I think if we assume some kind of perhaps not even true leadership, but at least get some serious work underway, we will help all of us, primarily, our small economies. I am almost certain that Mr Arce and Mr Mnangagwa will agree with me saying that if Russia starts coming up with concrete solutions, they will join in these efforts.

**Vladimir Putin:** You are right, we need to move faster.

**Sergei Karaganov:** We will all benefit from their advice.

**Vladimir Putin:** You are right. We need to speed things up. I agree.

**Sergei Karaganov:** Good. I have one more question related to the economy.

Currently, there is a significant increase in military spending and a rise in the military economy. This development is encouraging as it signals a return to our roots. As one insightful historian from St Petersburg remarked, Russia historically thrived and expanded as a military organisation of its people. When we lost sight of this, we began to decline.

As we strengthen ourselves, especially given the circumstances, there is an issue that warrants careful consideration. Presently, eight percent of our GNP is allocated to defence. This pales in comparison to the purported 13 percent during the Soviet era. However, it is challenging to ascertain the exact military spending in the Soviet Union since there was no comprehensive tally for such expenses. Moreover, substantial funds were channelled towards supporting socialist and socialist-leaning states, significantly inflating the country's foreign policy and military budget.

However, drawing parallels with the Soviet era raises concerns. Sooner or later, we must emerge victorious from this war. From my perspective, the sooner, the better, ideally within two years, by employing the most resolute measures, which we can discuss later. Concurrently, we are already formulating conversion plans in collaboration with enterprises, responsible individuals, and business strategies. I recall the harrowing ordeal

of the early 1990s, when we found ourselves trapped in similar circumstances, witnessing the erosion of high-tech industries and the exodus of millions of skilled workers and intellectuals to the streets or elsewhere.

Are we currently devising partial conversion plans to ensure that they are readily available once we start scaling down military production?

**Vladimir Putin:** In the 1990s, we not only wasted this potential, but also destroyed it.

**Sergei Karaganov:** Of course.

**Vladimir Putin:** I am well aware and remember vividly, especially since I worked here in St Petersburg. Back then, 70 percent of the city's economy relied on defence industries, and much of it was dismantled, if not all of it. However, starting from the early 2000s, we had to focus on rebuilding, and we have achieved a lot on a foundation of modern technology.

We have always recognised the need to consider conversion. It is not just about conversion; we must also think about the modernisation of these facilities.

What do I mean? Companies all over the world that manufacture specialised equipment and weapons at the same time produce civilian goods. This combination of two aspects creates a positive synergy and makes it possible to attract investment as well as high technologies. On the whole, we are managing this successfully.

We have a relevant plan in place and we are consistently implementing it. In 2022, civilian goods accounted for approximately 25.1 percent of defence industry enterprises' output, and this share reached almost 30 percent (over 29 percent) last year. Therefore, this process is ongoing.

Of course, we must continuously align our defence spending with current requirements and our economic development levels. We cannot rely on and exploit others, as the United States does.

Every year, the United States has a US\$1 trillion trade deficit. What is this? I believe everyone present here will understand what I mean. This is a modern version of neocolonialism. By using the dollar's monopolistic status, the United States consumes US\$1 trillion more annually than it produces. It extracts these resources from other countries.

We spoke about the pandemic period earlier. What did they do? I do not recall the exact amount of money the United States printed, but it totalled over US\$5 trillion. By the way, Europe printed an estimated 3.4 trillion euros. What did they do next? They circulated all these banknotes domestically and then started buying foods on the global food market. They absorbed all these resources within their country, acting like a vacuum cleaner, and for the first time in many years, they became net food buyers and importers, rather than exporters. As a result, global food inflation skyrocketed.

However, we cannot behave in the same way, and we do not monopolise the global currency market, the way the US dollar is doing. We have never acted like colonialists or neo-colonialists. In this case, we should, of course, rely on our economic potential and assess it realistically, which is what we are doing. Naturally, we are considering diversification in order to balance the current industrial situation, the real economy and the future situation. This is how everything is developing.

**Sergei Karaganov:** I will ask one more question on the economy because I know it is of great concern to a considerable part of the audience, not as much to me, but still, I also sense these concerns.

Currently, the country is undergoing partial nationalisation. It is said that this is being done, among other reasons, to correct the huge mistakes made during privatisation. Those reforms were indeed foolish; we established capitalism without protecting private property. This led to rampant corruption because property could only be protected by turning either to the state, which in turn led to corruption, or to criminals, or simply by transferring funds abroad.

Now we are witnessing a reverse adjustment – a de-privatisation. But where are the limits? Perhaps, we can determine them after all? The point is that if we are talking about rectifying the mistakes made in the 1990s, then there were mistakes all the way

during that time, since everything we were doing was illegal and done unlawfully, with violations in each case.

I was involved in the economic processes at that time, because research could not provide an income, and I had to support the institutes. So, I know what was happening at the time. This is why, in principle, it is now possible to de-privatise everything.

However, this would undermine the foundation of our success. We have seen that private capital, even in our challenging military conditions, is quickly adjusting to fill new niches, creating a more flexible economy for us than it would have been if it were solely state-owned.

Can we stop at some point? Let's declare, for example, that the unused mineral resources go to the state, we prohibit the export of capital and declare property to be sacred after a certain limit. And the level of protection for private property will serve as a basis for the KPI of all governors and other leaders.

**Vladimir Putin:** Regarding mineral resources, they belong to the state as it is. We only allow our companies to produce them, but they remain the property of the state. This is the first point.

Second, you mentioned the unwise, misguided or criminal privatisation of the 1990s. Though it might be painful for many people in the country, I still would not use such words. Why? Because I do not think that it was a deliberate criminal plan. Yes, it was largely an unwise decision based on the opinion of world-famous economists, including Russian ones, who said that everything should be privatised as quickly as possible, and the price does not matter, even if it is only one dollar. The main goal was to hand these assets to effective owners, which the state cannot be.

Reality has shown that in our country, under the conditions we lived in and are living in now, it was a wrong method, to put it mildly, to achieve the best possible result and maximum efficiency. It turned out that the state can be an effective owner, and it has demonstrated that in many cases, especially in industries that depend on large-scale investments.

At that time, nobody made any investments. It was a period when fraudulent schemes were used, when money was borrowed from banks for that pseudo-privatisation or more precisely, the theft of government property, which was bought for a song and the products it produced were used or not used to repay loans to state-owned banks. It was fraud.

Therefore, I would not do anything about economically incorrect but nevertheless legal decisions related to privatisation. The prosecutor's offices only address cases of criminal privatisation of state property.

However, you said correctly that reasonable limits should be set for such actions. We are discussing this issue with our business community. I believe that a decision should not be formulated as a presidential executive order or a government resolution, but as a law. We are discussing this issue with our colleagues in the business community, and I think that we will find a solution.

To be continued.

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