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A joint meeting of The
Empire Club of Canada and
The Canadian Club of
Toronto

His Excellency Mr. Vladimir V. Putin
President of the Russian Federation

POLITICAL AND ECONOMIC EVENTS IN THE RUSSIAN FEDERATION

Chairman: Catherine Steele
President, The Empire Club of Canada

Head Table Guests

His Excellency Vitaly Churkin, Ambassador of the Russian Federation to Canada; Vyacheslav E. Pozgalev, Governor of Volodga Region; Rodney Irwin, Ambassador of Canada to the Russian Federation; Serguey Prikhodko, Foreign Policy Assistant to the President of the Russian Federation; The Hon. Ernie Eves, M.P., Deputy Premier and Minister of Finance, Government of Ontario; Dmitry A. Medvedev, First Deputy Head of the Administration of the President of the Russian Federation; The Hon. Henry N.R. Jackman, Chairman, E.I. Financial Corporation Ltd., Former Lieutenant-Governor of Ontario and Honorary Chairman and Past President The Empire Club of Canada; Valentin I. Tsvetkov, Governor of Magadan Region; Don Whalen, Chairman, Canadian Russian Business Forum and Chairman, High River Gold Mines Ltd.; Yuriy A. Evdokimov, Governor of Murmansk Region; The Hon. David M. Collenette, Minister of Transport, Government of Canada; His Excellency Viktor Khristenko, Deputy Prime Minister of the Russian Federation; and Marilyn Linton, President, The Canadian Club of Toronto and Health Editor, The Toronto Sun.

Introduction by Catherine Steele

It is my privilege to welcome our guest speaker, His Excellency Vladimir Putin, President of the Russian Federation.

Russia for me has always been a country full of mystery. In grade school we learned that Russia like Canada was a large country with a cold climate and lots of snow. And then of course there is the mutual love of our national game—ice hockey. In fact, I must admit that the Russian word I became most familiar with was 'Tretiak, as in your infamous goalie Tretiak who seemingly stopped every puck. Perhaps Mr. President, citizens in your country may have developed the same familiarity with one famous Canadian hockey player, Paul Henderson?

Today, the world watches with interest at what is happening in Russia as it makes the challenging transformation from communism to a market-based economy. Selected by Boris Yeltsin to lead the country, Vladimir Putin has embarked upon a mission to strengthen the Russian state, unite his country and increase trade and economic ties with other countries including Canada. The media have also commented that his youth has brought new hope to his country's young people.

We are thrilled that he could take time from what has been a very busy visit to Canada to be with us here today.

Ladies and gentlemen, please welcome His Excellency Vladimir Putin, President of the Russian Federation to this joint meeting of The Empire Club of Canada and the Canadian Club of Toronto.

Vladimir Putin

Good afternoon, ladies and gentlemen. I have a very complex task. It is difficult for me to speak to so many knowledgeable and qualified people. My task is further complicated by my having to tear you away from your dinner.

I hope that our meeting today will be pleasant as well as informative. I must say that my talks with the Canadian leadership, with Prime Minister Jean Chretien, were content-rich and fruitful and have demonstrated that Russia and Canada possess a solid and stable basis for co-operation.

We discussed at length a wide range of questions on bilateral relations and international problems. I know that

there are people present in this hall today who are professionally involved in business and politics and international relations. Therefore, I will offer a general overview of all these problems, briefing you on what is occurring in the political and economic fields in the Russian Federation.

Nothing draws partners together as much as successes in a common undertaking. Politicians are obliged to promote the interests of the business circles of our respective countries to encourage trade. I think that in Russia, if not as rapidly as we would like, conditions are being created for us to be open and absolutely reliable.

The spirit of co-operation that has been established between Canada and Russia over the last few centuries of diplomatic and business contacts pre-determine a good partnership. Of course, the main guarantee of success is stability of a political and economic character. This year Russia has seriously advanced the "gathering" of our Federation, which in recent years, unfortunately, has often resembled a decentralised state.

The gathering of the Federation was the purpose of the initiative for establishing seven federal districts this year. It was an endeavour to bring the region's legislation into full conformity with the Constitution of the country. When I speak of the decentralisation of Russia in recent years, I want to draw your attention to the sad fact that approximately 25 per cent of all the laws and regulations in the regions of the Russian Federation did not conform to the Constitution of Russia and the federal statutes.

This was certainly a substantial obstacle in the road to the development of Russian statehood and national business. It also made the entry into Russia's economy difficult for our foreign partners. Of late the system of state administration has been considerably reinforced, moving to a single business and economic system, resulting in political stabilisation and obvious societal consolidation.

Today the co-operation of all of the branches of power in Russia is highly productive, this being reflected, first and foremost, in the activity of the country's Parliament—the State Duma of Russia. Order and political stability are inevitably followed by order in the economy. The business and investment climate in the country is altering substantially. Our economy now looks much more attractive than it did several years ago.

Figures effectively demonstrate this. I do not want to tire you with an excess of these figures, but Gross Domestic Product in the first half of the year grew by 7.5 per cent.

Industrial potential rose by 15 to 20 per cent, with industrial production growth in some regions as high as 30 per cent. The dynamics of fixed assets investment have improved and inflation has been reduced by more than two times.

In any case the macro-economic indicators set by the state budget of the current year have been reached. Over the first 10 months of the current year the average monthly real cash incomes of Russian citizens went up by 9.4 per cent compared to the same period in 1999. And for the first time a federal budget surplus has been achieved in the country.

Ladies and gentlemen, Canada and Russia are the world's largest federations. One economic advantage is economic flexibility because federalism makes it possible to even out the social economic possibilities of different areas and makes it possible to provide all Russian citizens, irrespective of their place of residence, with equal starting opportunities. Furthermore, the economy of the provinces is always a good proving ground for the most effective and progressive federation-wide models and a testing ground for running strategic models for the economic development of the entire country. This is only part of the multitude of virtues of a federation. I am sincerely convinced we have much in common. Of basic

importance is that we are not only aware of our obvious achievements, but seriously and openly discuss the pain spots. A successful roundtable on the problems of federalism was successfully held here in Canada. The leaders of Canada's provinces and of Russia's regions, as well as leading experts in both countries attended. I think we must listen to their opinions. Such interstate discussions need to be made regularly, and held both on Canadian and Russian soil.

Russian-Canadian co-operation is in my view absolutely unique. We are working together on the so-called Northern dimension, a project for the joint development of the Arctic, its social component, support of the indigenous peoples of the North and the preservation of their cultures, traditions and language. All this is equally important for Russia and for Canada. This is supported by a whole series of joint cultural, educational and other humanitarian programmes for the indigenous peoples of the North.

Another project is the Arctic Bridge, which is designed to shift the main flow of goods between the two countries to northern routes with the use of sea ways. In Russia this area of activity is fairly effective and some success was developed back in Soviet times. I am convinced that with the development of the Arctic junction our countries will become much closer to each other, and on this northern theme we have a whole package of long-term projects.

There is a considerable co-operation in the buildup of mutual trade. The volume of trade in oil, metals, chemicals, and machinery and equipment between our countries has lately grown significantly. It is in our common interest to create conditions easing access for commodities to the markets of both countries.

Regarding this we are seriously worried by the restrictive measures being taken by Canada against Russian steel. We spoke of this at yesterday's meetings with the Canadian prime minister and cabinet members.

The improving climate for trade in energy- and science-intensive goods will help to strengthen the positions of Canada and Russia on world and domestic markets to bring profits to both you and us. There are already constructive examples of such co-operation now. Three Canadian companies are active in the oil and gas sector of Russia, having already invested over \$300 million there. Also interesting are the proposals for the development of reservoir sandstones in Alberta, where we have a whole field of joint programmes and exchange of experience.

Good opportunities for expansion are opening up in the mining industry, where Canadian investments have been made. There are projects in the Magadan Region, in the gold-mining industry and if you have questions later the governors of their respective regions are ready to share information on how the co-operative effort is proceeding in their regions.

I believe we should tap resources in the high-technology field more intensively. Successful joint works in space development are well known and with equal success we could use our achievements in aviation as well.

Indicative is the example of the use in Canada of the Russian helicopter K-32 A, the sole type of helicopter used in difficult Arctic conditions. I think its full certification will help expand the use of this machine in Canada. The users of this machine will obviously gain a definite advantage.

In practical terms, taking the natural conditions of Russia into account, the engagement of partners in the construction of houses according to Canadian technologies is important. I know that in this field there is a definite quite optimistic, forward-looking, joint programme.

Much has been achieved by direct contacts between Russia's regions and Canada's provinces. We have produced a signed Agreement on the Principles and

Guidelines for Co-operation between the subjects of the Russian Federation and Canada's territories.

A powerful opportunity, ladies and gentlemen, lies in the field of investments, but so far it has been poorly tapped unfortunately. We understand the puck is on the Russian side and a lot depends on Russia. But it has to be stated that Canada now holds only 19th place among foreign investors in Russia, which obviously does not correspond to the potential of the two countries.

We regard the attraction of foreign investment as an important factor in Russia's integration into the world economy and for this purpose over the recent period we have been taking the most energetic measures. We have advanced in tax reform substantially. From January 1, 2001 a new tax code establishes the lowest tax rates on the whole European continent. I must say that Russia took a long time to reach this decision and it was not without difficulties. Only public opinion and the efforts by various social and political forces in the country helped in the end to adopt this code. It is an obvious sign of the definite and appreciable political stabilisation in Russia.

We are firmly upholding the basic principles of Russian policy, protecting the rights of ownership of good-faith entrepreneurs. Moreover a number of laws are being prepared to improve the legal foundations of owners' rights. We're taking serious measures to strengthen the legal system as an integral element of the steadily improving economic mechanism.

Over the last few years we have expanded the regulatory base governing the investment climate. The adopted Federal Law on Foreign Investment in the Russian Federation determines the national regime of activity for foreign investors and guarantees the full assurance of their rights. At the level of regions, their own programmes of government support for foreign investment activity are also being implemented.

For our part, by opening the Russian economy, we hope for our partners' reciprocity including those in international financial institutions. I feel that the process of Russia joining the World Trade Organization and the Organization for Economic Co-operation could be more dynamic. Russia counts on the support of Canada in this matter. I think if the principles and rules of these organisations operate in Russia, everyone stands to gain including our foreign partners.

The integration of Russian business into the world economic system is good for our country. It is a common interest of many states, which in the conditions of globalisation, jointly seek new ways of partnership and strive to create a favourable international climate for co-operation. We support a system of international mechanisms which ensure the integrity and security of the world, and effectively solves common problems. All key issues must be solved only on the basis of observance of the rules of international law through collective mechanisms, primarily through the mechanisms of the United Nations.

I would like to say a few words about a key problem, which is being actively discussed today—the problem of international security. We are convinced the deployment of a national missile defence system and attempts to destroy the ABM Treaty of 1972 will bring a collapse of the entire system of international security. Many states and eminent political and national figures of many countries share this concern with us. I think fresh evidence of this is the open letter published in the press that was sent to me by the prominent Canadian scientist, a Nobel laureate winner here, Professor John Polanyi of the University of Toronto. He and I were able to exchange a couple of words before our meeting. Availing myself of this opportunity, I would like to thank Mr. Polanyi for his letter. As I see it, it is imbued with a concern for the preservation of world security and stability. Quoting from this letter: "If we get down to modifying the ABM Treaty, this will lead to

a weakening of the structure of international law on which undoubtedly world peace must be based." I must say it's perfect just as it is. An absolutely precise formulation.

We see a real alternative in a further drastic reduction of nuclear arsenals in the preservation of the ABM Treaty of 1972, bringing the START-2 Treaty into force, which we have already ratified and which has yet to be ratified by the United States, and the earliest beginnings of real negotiations on START-3. A logical continuation of such approaches is our latest proposal for the reduction of the nuclear stocks of Russia and the U.S. to 1,500 units and below. The creation of an effective global regime of missile non-proliferation is fully in accord with the strict strengthening of strategic stability. It should combine a global system of control over missiles and missile technologies, and measures for improving these procedures.

We also suggest broad co-operation in the field of so-called theatre missile defences. An element of such co-operation could be the Moscow Centre for the Exchange of Data on Missile Launches now being set up by Russia and the United States that must be open to all interested countries.

Russian values the responsible line being pursued by Canada on key issues of world politics. We closely cooperate in the Big Eight and in the United Nations. We actively collaborate in the field of peacemaking and the settlement of regional conflicts. Very many political figures of Canada call their country a "middle power," but Canada pursues, in fact, a global policy, and we're ready for co-operation in all areas.

Ladies and gentlemen, our countries have traversed a long and fruitful path of co-operation. Of course not all fields of our co-operation are activated as yet. We spoke of this with our Canadian counterparts during the last two days. Today I have tried very briefly to speak about the most important things in the development of our partnership. In practical terms, a lot depends on how we

organise this work. I think it is appropriate to thank the Canadian government for the decision on the question of opening a consulate in your city. It is appropriate to recall that about 200,000 people, who consider Russian their native tongue, live here. We would very much like to open an additional consular agency in Canada for those people who link part of their life with Russian culture and Russian language, for those who are interested in Russian social life and for those who have economic and business interests in our country. This would intensify ties between Russia and Canada.

I want to thank you for your attention and express the hope that our co-operation will be effective and of benefit to the peoples of the two states.

Thank you very much indeed.

The appreciation of the meeting was expressed by Marilyn Linton, President, The Canadian Club of Toronto and Health Editor, The Toronto Sun.