

# Vladimir Putin: Russian-Hungarian Cooperation; Defeated Kiev Troops Encircled in East Ukraine

By [Pres. Vladimir Putin](#)

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[The Kremlin](#)

Region: [Europe](#), [Russia and FSU](#)

Theme: [Global Economy](#), [US NATO War](#)

[Agenda](#)

PRESIDENT OF RUSSIA VLADIMIR PUTIN: *Ladies and gentlemen,*

*I am very grateful to the Hungarian leadership and to Mr Prime Minister for the invitation to visit Budapest during the 70<sup>th</sup> anniversary of its liberation from the Nazis.*

*The clashes and battles in Hungary were among the fiercest and took the lives of over 200,000 Soviet soldiers. This page in history unites our peoples, creating a solid foundation for the multilateral development of Russian-Hungarian relations.*

*During my talks with Prime Minister of Hungary Mr Viktor Orban, which were business-oriented and constructive in tone, we discussed all the current issues on our bilateral agenda. We looked at the progress in implementing agreements reached during our [meeting](#) last year in Moscow and set plans for the future.*

*Our nations have clear potential for broadening economic cooperation. This is not Russia's first year as Hungary's largest foreign trade partner outside the European Union. Our turnover in 2014 was equal to nearly \$8 billion. Granted, it has declined somewhat recently, and this is another, highly important reason why we needed to meet and discuss what must be done in order to overcome this decline and in order for us to move forward.*

*Our capital investments are growing, and Hungary's investments in Russia are even slightly ahead of Russia's: Russian investments in Hungary stand at \$1.5 billion, while Hungarian investments in Russia are \$2 billion.*

*As I said, our key objective at this point is to break the trend in our declining turnover. The Intergovernmental Commission on Economic Cooperation is working hard to resolve this challenge. And we shall hope our colleagues will develop corresponding measures and overcome all the difficulties. I am sure that we have this opportunity.*

*We will also more actively use the potential for regional cooperation between small and medium-sized businesses. And we will certainly support major projects, including in high-tech sector.*

*We are giving enormous significance to fulfilling our agreements on constructing the two energy units at the Paks nuclear power plant. As you know, the contract price is nearly 12 billion euro, with 80% - almost 10 billion - provided by Russia as a loan extended at a preferential rate for 30 years. This is a very advantageous deal.*

*The nuclear power plant is already generating 40% of electricity consumed in Hungary. The commissioning of new capacities will allow reducing energy rates for regular consumers and for economic agents. And moreover, this will create 10,000 new high-grade jobs in Hungary.*

*We also exchanged views on prospects for joint work in the oil and gas sector. Russia supplies about 80% of oil and 75% of natural gas consumed in Hungary. We value our reputation as a reliable energy supplier to Europe and Hungary.*

*We agreed that we will take positive consideration of certain issues raised by the Hungarian side during today's talks, and moreover, agreed that all these questions will be resolved. This pertains to contracts for the period after 2015 and certain other issues concerning the use of gas storage facilities.*

*Unfortunately, as you know, we were forced to roll back our South Stream gas pipeline project, although I suppose the experience and knowledge we have acquired together with our Hungarian partners along with the joint companies we created can be used for broadening the work with our Turkish friends as regards the so-called Turkish Stream. There are various options here, and we are ready to discuss them with everyone who is interested in working together.*

*At the same time, I want to stress that Hungary's significance as a market for our oil and gas and a potential transit country has not decreased for Russia. We are ready to engage in dialogue and mutually beneficial partnership within the framework of a new route for Russian energy resources.*

*We also have other good opportunities for implementing complex fuel and energy projects. The Hungarian MOL concern is developing oil deposits in Western Siberia and plans to significantly increase oil production. Currently, it is extracting about 500,000 tons of oil per year. And we will certainly help and facilitate this process.*

*We noted that Russian and Hungarian regions are oriented toward joint cooperation, as I already mentioned. Currently, partnerships have been established between all 19 of Hungary's regions and over 50 regions in Russia. We expect that the agreement signed today will serve to further strengthen interregional cooperation.*

*A whole set of socially significant projects in healthcare and the agro-industrial complex are already being implemented in many Russian regions with assistance from our Hungarian partners. I expect that joint work to create joint companies in the agro-industrial complex will help us overcome the situation with Russian retaliatory sanctions banning the supply of agricultural products to the Russian Federation.*

*Medical centres in Bashkortostan, Vologda, Lipetsk and Nizhny Novgorod regions are equipped with modern equipment from Hungary. In Sverdlovsk Region, a meat-processing plant and an 18,000-head pig farm are under construction. In Yegoryevsk, Moscow Region, the Gedeon Richter company has built its pharmaceutical plant. All these investments will be securely protected.*

*I would like to note the effective work by Hungarian trading houses, which contribute to strengthening the position of Hungarian companies on the Russian market.*

*We are satisfied with the level of bilateral cultural and humanitarian ties, as well as contacts in science and education. Today's signing of an agreement on cooperation in education will*

*promote their further development, as will the opening of the third Hungarian Consulate-General in the Russian Federation in Kazan.*

*I am pleased that there appears to be a certain revival of interest in the Russian language in Hungary. We agreed to hold Days of Russian Culture in Budapest at the end of March, giving them concrete substance.*

*Friends,*

*I want to note the extensive agenda for my visit to Hungary. Before the start of our talks, we attended a grand opening ceremony of the Memorial Complex for Soviet Soldiers after its large-scale renovation. I would like to thank our Hungarian friends for the care they take to preserve the memory of those events, for taking care of the burial sites of Soviet soldiers and officers.*

*Today, I will also be meeting with the President of Hungary. I am ready to personally reiterate – and I plan to do it – the invitation to take part in celebrations marking the 70<sup>th</sup> anniversary of Victory in Moscow this May.*

*In conclusion, I would like to thank our Hungarian partners and Mr Prime Minister for their constructive, goal-oriented attitude and for our substantive and fruitful exchange of opinions.*

*Naturally, we touched on certain international issues, first and foremost, the events in Ukraine, as Mr Prime Minister already said. I hope that the agreements recently reached in Minsk will be observed by both sides and we will be able to move toward settling this terrible conflict.*

*I want to once again thank Mr Prime Minister for today's highly constructive meeting and express hope that all the agreements reached will be implemented.*

*Thank you very much.*

## QUESTIONS

Video in Russian. English Transcript below

QUESTION (*translated from Russian*): What new points have been included in the gas supply agreement and how flexible will the agreement be in terms of prices?

VLADIMIR PUTIN: The issues the Hungarian delegation raised during the talks today were all settled in accordance with our Hungarian friends' proposals.

First, we, and Gazprom as the economic actor involved, are ready to carry over volumes of gas unused by our Hungarian partners to later periods. Second, Hungary is exempted from the take-or-pay system, in other words, it does not have to pay for gas that it did not in fact receive. This is not a problem but is a matter that the partners have settled between themselves.

Expanding use of underground storage facilities is another matter. We understand that having these facilities helps Hungary to get through the autumn and winter period without problem, and Gazprom has no objections in principle to an increase in gas supplies stored there.

QUESTION: Mr President, what is your assessment of the situation now that two days have passed since the Minsk agreement on a ceasefire took effect? Things do not seem to be going so smoothly, especially when you look at what is happening in Debaltsevo. There, at any rate, there is no ceasefire in place.

VLADIMIR PUTIN: First of all, we place great importance on the agreements reached in Minsk. Perhaps not everyone has noticed this yet, but what is particularly important in these agreements is that the authorities in Kiev are essentially agreeing to carry out far-reaching constitutional reform in order to satisfy demands for independence – call it what you will, decentralisation, autonomy or federalisation – in different parts of the country. This is a very important and very significant decision on the part of Ukraine’s authorities.

But there is another side involved too, and if the Donbass region’s representatives have agreed to take part in this reform, this means that we are seeing some support for progress along this road of developing Ukraine’s statehood.

Of course, the quicker everything is done to end hostilities and withdraw military equipment, the quicker this will put in place the real conditions needed for a political settlement to really go ahead.

As for military operations, I want to say that we have noted overall a substantial drop in activity. But let me note too that last time, when President Poroshenko decided to resume military operations and then stop them, it was not possible to do this immediately. What we do see now though is a clear and big decrease in the amount of shooting and exchange of hostilities along the entire battle line.

Yes, clashes are still taking place around Debaltsevo. But there too the scale and intensity of operations is less than it was before. What is happening there was not unexpected. According to our information, a group of Ukrainian troops were already surrounded there before the meeting in Minsk last week. I spoke about this at the meeting in Minsk. I said that the surrounded troops would try to break out of the encirclement and there would be attempts from the outside too to break through, and the militia, who had got the Ukrainian troops surrounded, would resist these attempts and try to keep the encirclement in place, and this would inevitably lead to further clashes. Another attempt to break through was made this morning, I don’t know what the media have been saying, I have not managed to follow all of the news, but I know that at ten o’clock this morning the Ukrainian armed forces made another attempt to break open the encirclement. It was unsuccessful in the end.

I hope very much that the people responsible in the Ukrainian government will not prevent Ukrainian servicemen from laying down their arms. If they cannot or will not take this important decision and give this order, they should at least not prosecute those who are ready to lay down their arms in order to save their own and others’ lives. At the same time, I hope that militia representatives and the authorities in the Donetsk People’s Republic and Lugansk People’s Republic will not detain these people and will not prevent them from freely leaving the conflict zone and encirclement and returning to their families.

QUESTION (*translated from Russian*): Mr President, from your words I understand that when the Minsk agreement was signed, and when you took part in the talks, you knew that the ceasefire would not take effect from exactly the moment planned. In other words, it was to be expected that some clashes would continue.

Do you think these clashes will end soon? Are you optimistic about the chances for a lasting ceasefire, or are you a pessimist, because if military clashes do intensify there, the United States could start supplying arms to Ukraine. How you would respond to this, what would Russia do?

VLADIMIR PUTIN: Concerning possible arms supplies to Ukraine, for a start, according to our information, arms supplies are already taking place. There is nothing so unusual about this situation.

Second, I firmly believe that no matter who and which type of weapons are involved, it is never a good thing to supply arms to a conflict zone, but in this particular case, no matter who sends them and what kind of arms are involved, the number of victims might rise of course, but the result would be the same as what we see today.

This would be inevitable because I believe that the vast majority of Ukrainian servicemen do not want to take part in a fratricidal war, even more so far from their own homes, and the Donbass militia has strong motivation to fight for and protect their families.

After all, let me remind you once again that what is happening now is linked to one thing only, namely, to the fact that the government in Kiev decided for a third time to resume military action and use the armed forces. This decision was first taken by Mr Turchinov, who issued the order to carry out what he called an antiterrorist operation. President Poroshenko then decided to resume the military operations, and now this is happening for the third time.

There will be no end to this if the people making the decisions do not realise that there is no hope of resolving the problem through military means. It can be settled only through peaceful means, only through reaching an agreement with this part of their country and guaranteeing these people's lawful rights and interests.

Let me say that the agreement reached in Minsk offers an opportunity for this to happen. In this respect, I want to note the big role that the French President and the German Federal Chancellor played in reaching a compromise. I think that a compromise solution has been found and could be cemented by a resolution from the UN Security Council. Russia, as you know, has already put forward this initiative. If this happens, the Minsk Agreement would gain the status of international law. If not, it is already a good enough document that should be implemented in full. I am more of an optimist than a pessimist.

Let me say again that the situation is relatively quiet along the whole battle line now. We need to settle the problem of the group that has been surrounded. Our common task is to save the lives of the people trapped in this encirclement and ensure that this issue does not worsen relations between the authorities in Kiev and the Donbass militia.

It is never easy to lose of course and is always a misfortune for the losing side, especially when you lose to people who were yesterday working down in the mines or driving tractors. But life is life and it has to continue. I don't think we should get too obsessed about these things.



As I said, we need to concentrate on resolving the main task, which is to save the lives of the people there now and enable them to return to their families, and we need to implement in full the plan agreed to in Minsk. I am sure that this is possible. There is no other road to take.

QUESTION: I'd like to come back to the South Stream project. Mr President, do you think this project could be revived, with or without the Black Sea component? You have already reached agreements with the company MOL on several gas projects. Can we expect to see this energy dialogue intensify over the coming period, and what other agreements in this area, perhaps agreements that you talked about today, do you think we could see go ahead after 2015?

VLADIMIR PUTIN: Since everyone keeps coming back to South Stream, I'm going to have to try to explain that it was not us who refused to go ahead with the project, but others who did not let us do it.

There were some details I thought everyone already knew, but it looks like I am going to have to go through them again. Last April, the European Parliament took a decision stating that the South Stream project was not only not promising but was even harmful for the European Union, and the European Commission then sent Bulgaria a letter demanding that they stop all of the preparatory work then underway.

We also had to get the go ahead for work at sea from the Dutch regulator, strange as that may seem, because South Stream, for tax optimisation purposes, was registered as an international company in the Netherlands. The Dutch regulator surprised us, I must say, and did give its approval, though with a delay of four months. But in accordance with the construction contract, an Italian company, a subsidiary of ENI, was supposed to start work at sea immediately. But how could we give the company the green light to start work at sea if we were not allowed to enter Bulgarian territory? It was all an absurd situation. We ended up forced to simply abandon the project altogether. It was not we who decided to give it up, but others who gave us no chance to carry it out.

There can be no return now to the South Stream project in its previous form. We have reached agreements with our Turkish partners. If I recall correctly, Turkey is Gazprom's second-biggest customer in Europe after Germany. This is a big market.

Our Turkish partners have asked us to increase our gas supplies to Turkey. We will build a gas supply network there whatever the case and are ready to develop it as needed for gas to come via Turkey to the European Union too.

We have no intention of punishing anyone or getting offended at anyone. If it is possible from a logistics point of view, we would be willing to enter Bulgaria later. The European Commission is already asking us to do so. We are ready to go via Greece too. In other words, we have no plans to close anything or close ourselves off from anyone. It's a logistics matter now, a matter of where it makes more sense economically to work, but only if we have help. If others are going to obstruct us, then our choice is simple and it comes down to the decision of the European Commission and our European partners.

If we are not hindered, we could build part of the former South Stream via Turkey. We could, for example, use our agreements and joint ventures with Hungary, Serbia and other partners and go via Baumgarten, go through Austria. All of this is possible if our partners

want cooperation.

We are in talks at the moment, but we will not abandon our cooperation with Turkey. Not only because this would not be decent behaviour on our part, coming to an agreement with our Turkish friends and then saying, "No, Europe is making us a new offer now," but also because we could end up in a foolish situation. After all, the European Commission could refuse today, agree tomorrow, and then take its word back again the day after.

We therefore call for serious, long-term partnership, such as we have had over many years before now. Russia has always been a very reliable partner and will remain so in the future.

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