

# Kudrin Says Russia Safe on State Debt

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Finance Minister Alexei Kudrin said Thursday that Russia has "passed through the complex time" of the financial crisis and is now "protected from a sovereign debt crisis" like those engulfing several European states.

With state debt of less than 11 percent, Russia will be able to handle any fiscal challenges, Kudrin said in remarks at the first French-Russia Financial Forum.

Greece, which received a 110 billion euro (\$145 billion) bailout from the International Monetary Fund and European Central Bank in May, has a national debt of 115 percent of gross domestic product.

Kudrin described Russia as an "island of stability" in January 2008 at the World Economic Forum in Davos, saying investors would flock to the country to avoid global turbulence and recession in the United States. The Russian stock market subsequently lost more than 70 percent from its May high to the lowest point in October 2008.

Speaking later to the Audit Chamber, Kudrin said the oil price would probably fall below \$60 per barrel for six months at some point in the next three years and trade for \$82 per barrel in 2015, Interfax reported.

Assuming an oil price of \$75 per barrel, Russia would have a deficit of 4.6 percent of gross domestic product, he said, while in 2007 — when oil averaged \$70 — the country had a 5 percent surplus. "That means we've really done some serious back-stepping from the principles of fiscal balance," he said, Interfax reported.

Kudrin also told the budget watchdog that state-run Vneshekonombank would get a two-year, \$3.5 billion deposit from the National Welfare Fund within the week. He declined to say how the money might be spent. Vedomosti reported Thursday that the funds would be used to buy 2.7 percent of Gazprom from Germany's E.ON.

Speaking to the same business forum, French Finance Minister Christine Lagarde called for "more transparency" in commodity markets and increased monitoring of debt markets. Lagarde, who met earlier with Mayor Sergei Sobyanin, said she supported the development of "a real financial center in Moscow," but that it must be transparent.

President Dmitry Medvedev has made it a Kremlin priority to turn the capital into an international financial center that could compete with London and Hong Kong. Kudrin told the forum that the city needed to develop its laws to make them "convenient and comfortable for all stakeholders."

Moscow will also need to lure specialists from London and Paris and offer a broader range of investment products, he said.

Sergei Pakhomov, acting head of Moscow's debt committee, said at the meeting that the city could sell 500 million euros (\$611 million) of debt to international investors next year if conditions are favorable, Bloomberg reported.

He said the financial crisis had, overall, played "a positive role in Russia's financial, banking and capital market system," with the country's debt markets now much less volatile than international alternatives.

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