The Moscow Times
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Shuvalov Frets Over 'Falling Asleep'

By The Moscow Times

June 19, 2011



ST. PETERSBURG — The biggest risk to Russia's $1.5 trillion economy is complacency resulting from the stability gained over the past decade, First Deputy Prime Minister Igor Shuvalov said.

Shuvalov, Prime Minister Vladimir Putin's point man for foreign investment and trade, said the country faced stagnation unless it uses that stability as a platform for ambitious plans to modernize its economy, society and political system.

"There are two risks: The first and most important risk is a loss of stability, stable development and the confidence of the Russian people," Shuvalov said Friday in an interview at the St. Petersburg International Economic Forum.

"The second risk is, when you have that stability, not to fall asleep,'" he said. "You need to remember that stability is merely a condition to enable swift change, not to fall asleep. So to preserve stability we must change quickly."

The comments echoed President Dmitry Medvedev's warning Friday that the country could stagnate if it failed to modernize.

Asked why investors should put money in Russia, he said, "What we are doing at the moment, including modernization, will result in a completely different economic structure and offer a completely different potential for foreign investors."

He said investors were naturally curious about who would rule the country after the 2012 presidential election, but that if either Medvedev or Putin ran, Russia's modernization would be secure.

"From the point of view of stability and modernization, these elections — if it is a choice between Putin or Medvedev — will make no significant difference to modernization," Shuvalov said.

Shuvalov, a former lawyer who many investors say could one day be a prime minister or even president, dodged a question about his own ambitions, saying he did not consider himself a politician and that he worked for both Putin and Medvedev.

"I am not positioning myself as a politician," he said, adding that he had no political base.

Shuvalov blamed BP for the collapse of its $16 billion share swap and Arctic exploration deal with Rosneft. He said BP had been "frivolous" in dealing with its partners in its Russian joint venture, TNK-BP, who blocked the deal in the courts.

But he said Russia was open for business with foreign investors, including BP, to develop the mineral deposits of the world's biggest energy producer, and for possible asset swaps.

When quizzed about Central Bank data showing more than $50 billion in net capital outflows over the past eight months, he said the figures were "dodgy" but admitted there was a problem.

The Kremlin has said political uncertainty ahead of the 2012 election is partly to blame for capital flight.

"If you have stability, you have to use it," Shuvalov said. "If you stop, then, as President Medvedev said, stability will turn into stagnation."

Original url: https://www.themoscowtimes.com/2011/06/19/shuvalov-frets-over-falling-asleep-a7682