

Shuvalov: Russia at 'Boundary'

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The anti-government rallies across Russia last month were an indication of the country's active economic development rather than political instability, and more protests are possible with the future growth of Russia's economy, First Deputy Prime Minister Igor Shuvalov said Wednesday.

"We should treat it as a new political factor," Shuvalov said on the sidelines of an annual conference, as government officials and business leaders gathered in Moscow to discuss Russia's social and economic development.

"When [gross domestic product] per capita approaches \$15,000, the country crosses a certain boundary, it starts to perceive itself in a different way, the political system becomes more flexible," he said, Interfax reported.

The protests were inevitable because of the growing civil consciousness, while last month's parliamentary elections just catalyzed the process, Shuvalov said, adding that meeting social and economic challenges should be a No. 1 objective for the new government to be formed

after the March presidential election.

Russia lags behind in the development of its political system compared with countries that have a similar size of per capita income, while people would like the quality of the government's work to be in line with the quality of services, said Konstantin Sonin, a professor at the New Economic School.

"Russia is more corrupt and has a less competitive political system compared with, for example, Venezuela, Mexico or Argentina," he said by telephone.

People understand that, for the quality of life in the country to increase, the government should work better, he said.

Meanwhile, some government officials participating in the conference said fighting corruption is a major step toward improving the country's business environment, which is crucial for Russia's further economic growth.

Lowering the level of corruption as well as improving the efficiency of the court systems are the "key challenges" Russia needs to face to attract investors and attain economic growth, Economic Development Minister Elvira Nabiullina said.

The domestic economy has a potential to grow 5 percent to 6 percent a year, but for this to happen the country needs a new model of growth based on a radical improvement of the business environment, Nabiullina said. The country's GDP increased 4.2 percent last year.

"Improving the investment climate is what we need to launch ... a new economic growth model, which will provide an investment inflow into key sectors," she said, Interfax reported.

Shuvalov echoed this thought, saying entrepreneurs don't have enough freedom to develop business in Russia, with the situation for small- and medium-sized businesses — representing 25 percent of the country's working population — being especially difficult.

The problem of improving the investment climate was also addressed by President Dmitry Medvedev, who met with Prime Minister Vladimir Putin, government officials and leading economy experts on Wednesday to discuss the strategy of Russia's economic development for the next eight years.

Medvedev specified the key problems to be targeted as part of the strategy, called Strategy 2020, including improving the investment climate, which he said is "a No. 1 task," lowering bureaucratic barriers and improving regulation of entrepreneurs' work, according to a transcript on the Kremlin web site.

Another objective is maintaining macroeconomic indicators, "which ... should create a base for economic growth," he said, referring to a low inflation level and efforts to diversify the country's economy away from the oil and gas industry.

The task is challenging amid the growing risk in the global economy, Medvedev said, adding that "this year will clearly be uneasy."

Nabiullina warned at the conference that the euro zone had already entered a recession and its

economy could contract 0.6 percent this year.

Meanwhile Sberbank head German Gref, who also participated in the conference, said the energy sector should be the first to undergo reforms amid the changing market conditions.

"We have a huge threat in the energy sector. Where we're moving in the energy sector now creates colossal systemic risks for the development of the economy," he said.

Gref proposed to allow more competition in gas production, eliminating Gazprom's monopoly. He said gas manufacturing is likely to become a mass technology soon, like in the United States, where public transport is gradually switching to using gas.

Gazprom's share in domestic gas output reached 76 percent last year, Bloomberg reported, citing Energy Ministry figures.

If Gazprom's share in gas production is reduced to 30 percent, "it will be more than sufficient," Gref said.

Medvedev appointed businessman Mikhail Abyzov his advisor to coordinate the work of the "big government," the president's spokeswoman Natalya Timakova said Wednesday.

The "big government" is Medvedev's brainchild, supposed to consist of representatives of the country's civil institutions and work with the traditional Cabinet, which Medvedev is widely expected to head later this year.

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