

Nabiullina Predicts GDP Drop Without Diversification

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Economic Development Minister Elvira Nabiullina **Sergei Porter**

Economic Development Minister Elvira Nabiullina warned Tuesday that annual economic growth would drop to 2 to 3 percent if the country does not wean itself off energy and other natural resources.

"By our estimates, if the raw materials and fuel industries continue to be a dominate part of the economy like now, [and] if uncompetitive institutions and a problematic business climate remain, economic growth will rather quickly drop to 2 to 3 percent a year," Nabiullina said at a conference, Interfax reported.

She said such rates of growth would cause Russia to lose its position in the world economy and were unacceptable.

An innovation-based economy will take at least five years to establish, and the effects of such a shift would not be felt until 2018 at the earliest, Nabiullina said. She predicted an average annual growth rate of 4.4 percent through 2030 if Russia manages to break its dependence

on oil.

She also said government spending on science must be increased as part of the shift, and outlays for education must rise from 5 percent of GDP to 7 percent.

Russia's economy is the ninth largest in the world by nominal value, and President-elect Vladimir Putin has called for it to be even higher on the list. The world's four largest economies are the United States, China, Japan, and Germany.

Putin spoke up for a more innovative economy in a pre-presidential election manifesto published in late January in Vedomosti. "The Russian economy is capable of not only buying, it can give birth to innovation," he wrote in the 5,000-word article.

Innovation has been a catchword of President Dmitry Medvedev as he spoke about diversifying the economy away from natural resources. But Putin, in his manifesto, criticized the development of the business climate under Medvedev

"Over the last few years on the initiative of President Medvedev we began a whole series of reforms aimed at the improvement of the business climate," Putin wrote, in his sole mention of Medvedev. "But we have not yet seen any noticeable improvements."

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