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Shuvalov Laments Legal Environment

By The Moscow Times

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Russia has made no progress in 2013 in ensuring that legal and property rights are respected or in promoting long-term economic growth, Deputy Prime Minister Igor Shuvalov said in a televised interview on Monday.

Shuvalov, an ally of President Vladimir Putin, seemed to be echoing alarm expressed by Putin earlier in December about how capital flight is damaging the economy, which is growing at its slowest pace in four years.

Putin conceded for the first time this month that the problems were homegrown.

Kremlin crackdowns on political opposition in recent years have heightened investor concerns about the rule of law, a slowing economy and shoddy treatment of minority shareholders, driving an exit of capital that is deterring investment and hurting the economy.

"All in all, the results were not very good, as ... there is no such protection of property rights as we would want and there is not [the sort of] judicial system that we need," said Shuvalov

said in his interview to Russia 24, asked about how the economy performed this year.

Shuvalov had looked to be on his way out of politics last year after media reports of investments through which his wife, Olga, made millions of dollars with the help of some of the country's richest oligarchs. He acknowledged the deals took place but denied any impropriety.

This month Putin released former oil tycoon Mikhail Khodorkovsky from prison after more than a decade, while two members of punk band Pussy Riot were freed from jail sentences for a profanity-laced protest against Putin.

Analysts say the underperformance of Russian stocks and other assets compared with other emerging markets intensified after Khodorkovsky was jailed in 2003. Russian shares rose last week on news of his pardon.

Russia's judicial system has long been criticized as vulnerable to political meddling and is sometimes cited as a reason why investors are wary of putting money in the country. Nearly $4 billion has been pulled out of Russian-equity funds this year, according to research from Gazprombank.

Shuvalov said economic underperformance meant Russia should give top priority to improving the way institutions operate, indicating improvements to the judicial system.

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