

# Russia Prepares For Possible Economic Isolation

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Prime Minister Dmitry Medvedev speaking on the effect of Western sanctions to the State Duma on Tuesday.

Russia will adjust its economic course to make the country less vulnerable to another possible wave of sanctions from the West and will look for new partners to diversify its hydrocarbon exports, said Prime Minister Dmitry Medvedev on Tuesday in an annual report to members of the State Duma.

The prime minister said that full economic isolation from the West would not be lethal for Russia, but he did confirm that the country was under massive pressure.

"For the first time Russia is under triple pressure — an unstable world economy, unfriendly foreign policy of several leading countries and our own limitations," Medvedev said, by own limitations meaning a necessity of institutional reforms.

He said that any imposed restrictions on trade and economic relations are doomed to failure.

"If, however, some Western partners will go on with these measures we will do fine on our own and will win," the prime minister said.

The modified economic policy aimed at protecting Russia from the impact of sanctions should include relying on locally made substitutes for imported products, Medvedev said.

He also said that the government would find means to support local companies if their businesses were affected by a freeze in relations with foreign partners or even if whole markets closed down.

"We are not refusing partnership with foreign companies but in recent years practice has shown that we can modernize domestic industry ourselves," Medvedev said.

According to the head of the Cabinet, Russia's recent entry into the World Trade Organization gives it an additional instrument of influence against economic sanctions.

"For 17 years we had been kept in the waiting area and now we will demand other participants follow the WTO rules," Medvedev said.

Diversifying hydrocarbon exports could be another measure to negate the effects of changing attitudes in the West, the prime minister said.

"We are trading well with Europe but today as never before should strive to diversify our gas supplies," Medvedev said, adding that the price for gas still plays an important role.

At the same time Russia will not initiate a breakup of relations with Europe, he said.

"This is not in our interest as our trade turnover with it is \$400 billion," Medvedev said.

But if Europe made a move to freeze relations, Russia would seek partners elsewhere — in China and India, as well as the Asia-Pacific region in general and Latin America — to minimize the consequences of this decision, the prime minister said.

Although Russia's gross domestic product in 2013 increased by a modest 1.2 percent and is expected to slump this year, the prime minister said the government was able to maintain economic growth.

"Macroeconomic indicators for the most part stayed positive," Medvedev said.

President Vladimir Putin praised the the Cabinet last week for keeping up stable economic growth.

Speaking of capital outflows, which by the end of the year may surpass \$100 billion, Medvedev said they contained semi-legal or "gray" funds and for this reason a large portion of the drain could not be called capital.

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