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Ex-Finance Minister Kudrin Steps Into Spotlight as Russia's Crisis Grows

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Alexei Kudrin

Former Russian Finance Minister Alexei Kudrin took part in an anti-crisis meeting chaired by President Vladimir Putin on Friday in the latest sign that the Kremlin insider turned government critic is playing a more prominent role in economic decision making.

The gathering at Putin's Novo-Ogaryovo residence outside Moscow also included Prime Minister Dmitry Medvedev, Finance Minister Anton Siluanov and Central Bank head Elvira Nabiullina.

Kudrin was the only one of the nine people present not working for the state or a state-owned company, apart from former Central Banker Sergei Ignatiev.

While Kudrin resigned from the government after a public spat with then-President Dmitry

Medvedev in 2011, he is understood to enjoy access to Putin and is admired among the business community for his policies as finance minister and trenchant criticisms of the authorities since leaving office.

Amid a plunging ruble and an anticipated economic contraction of up to 5 percent this year, economic liberals like Kudrin and Sberbank head German Gref, who also attended Friday's meeting, have found themselves increasingly sought after.

"Their involvement looks significant," said Natalya Orlova, chief economist at Alfa Bank.

Incremental Return

While Kudrin has repeatedly denied that he plans to return to government service, his official involvement has become more prominent in recent months as the scale of Russia's economic problems has grown.

"It is possible there is a deficit of experts in the government," said Yevgeny Nadorshin, chief economist at Russian conglomerate AFK Sistema.

Last month, Kudrin was part of the official Russian delegation to the World Economic Forum in Davos and both Kudrin and Gref have been appointed to an anti-crisis government commission.

After leaving the government after 11 years as head of the Finance Ministry, Kudrin set up a civil society organization called the Committee of Civil Initiatives. He took part in several meetings on economic topics in Putin's presence last year.

Relentless Criticism

Kudrin, who has known Putin since they worked together in the St. Petersburg city administration in the early 1990s, is forthright in his criticisms of official policy.

When the government unveiled a $35 billion anti-crisis plan on Jan. 28 to help shore up Russia's tottering economy, Kudrin, who steered the country through the 2008 financial crisis, was quick to point out its deficiencies. The plan will only "partially ward off the pain," Kudrin wrote on Twitter.

Kudrin's personal animosity with Medvedev — the failings of whose government he regularly highlights — is reportedly a long-standing feature of Russian political life. Photographs published by the Kremlin of Friday's meeting show the two men sitting at opposite ends of the table.

He is also apparently unafraid of provoking Kremlin heavyweights like the head of oil giant Rosneft, Igor Sechin. Kudrin said last year that Rosneft should not receive a 2.4 trillion ($37 billion) state bailout and criticized the company in December for an opaque bond placement that appeared to contribute to a run on the ruble — charges that Sechin vigorously denied.

This ability to speak openly about the problems facing Russia — and his track record of fiscal conservatism — have made Kudrin the darling of investors.

"Kudrin is now the great last hope for investors and the Russia story," Timothy Ash, an emerging markets analyst at Standard Bank, wrote in a note to investors last month.

"The 'hope' is that Putin sees the errors of his ways, fires Prime Minister Medvedev, and brings back Kudrin leading a new reform administration in Moscow."

The Pension Age

Kudrin's influence was perhaps visible Friday in pushing Putin and officials at the meeting to discuss the politically sensitive question of raising the pension age.

The discussions at the gathering took place behind closed doors, but Kudrin subsequently told reporters that changes to the pension age had come up in the talks.

The Finance Ministry and the Economic Development Ministry back increasing the retirement age, but Putin made a popular election campaign promise in 2012 that he would oppose such a move.

Russia's pension system runs a huge deficit and is covered by payments from the budget, which has come under increasing strain in the face of oil prices that have dropped rapidly in recent months.

Kudrin, who has compared the pension system to a financial pyramid scheme, has also publicly said that the pension age — currently 55 for women and 60 for men — should be raised.

An Old Guard

While Kudrin's new official prominence is noticeable, the economic team on which Putin appears to depend has not changed much in over a decade, said Alfa Bank's Orlova.

Opening the Friday meeting, Putin made no secret of the fact that all those present around the table were colleagues of many years standing. "We have known each other for a long time," Putin said, according to a transcript of the meeting's introductory remarks on the Kremlin website.

Kudrin is no exception. He worked alongside Putin on Anatoly Sobchak's failed mayoral bid in St. Petersburg in 1995 and was subsequently involved in helping Putin find work in Moscow. He was appointed finance minister in 2000 after Putin became became president.

Other attendees at Friday's meeting, including Ignatiev, Kremlin economic advisor Andrei Belousov and Economic Development Minister Alexei Ulyukayev have all worked closely with Kudrin.

Current Finance Minister Anton Siluanov worked under Kudrin for 11 years before he was promoted to head of the ministry on Kudrin's departure.

"There are no new people to manage the economy," said Orlova. "It is a political preference for no change."

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