

Ivanov Says Oil Blocking Economic Diversification

By [The Moscow Times](#)

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Oil prices above \$100 a barrel are discouraging the country from diversifying its economy, Deputy Prime Minister Sergei Ivanov said.

Ivanov said the current price was unsustainable and that the budget will fall into a deficit when it drops.

He would prefer oil and gas prices to be "around maybe \$80 per barrel," which is a "more realistic" level.

"When the gold rain is pouring on your head, you are not motivated to diversify," Ivanov said in an interview late last week in Miami, where he was speaking at the Everest Capital Emerging Markets Forum. "I wouldn't say I hate high oil and gas prices, but I am not happy with them."

Once prices fall, running a long-term budget shortfall is not an option for Russia, Ivanov said. "We can't live for long with a deficit budget. We are not like" the United States, he said.

Ivanov stopped in Miami after meeting with U.S. Secretary of State Hillary Clinton, Trade Representative Ron Kirk and several lawmakers to discuss Russia's entrance into the World Trade Organization.

The "political window of opportunity" for Russia to enter the WTO may "start to close down" at the end of the year as the United States and Russia enter election years, Ivanov said. He is hopeful an agreement will be reached before then, he said.

Perceptions among some U.S. lawmakers that the Russian government is dominated by former security officials has held up its entry into the WTO, Ivanov said.

The United States has failed to repeal Soviet-era trade restrictions with Russia, and the issue is now being used by some lawmakers against U.S. President Barack Obama's administration, Ivanov said.

"There are some who would use it as a political pretext to say that Russia is still a totalitarian state, that it's run by KGB thugs," said Ivanov, who joined the Soviet spy agency in 1981 and later served as a deputy head of its main domestic successor, the Federal Security Service. "They might use it possibly as an opportunity to fight the [U.S.] Democratic administration."

Russia, the largest economy outside the WTO, has been seeking to join the Geneva-based trade arbiter since June 1993. The Obama administration announced last year that it had resolved most issues necessary for Russia's accession.

Russia has had "18 bloody years of negotiations" and has now "finalized all negotiations with all partners except Georgia," Ivanov said.

First Deputy Prime Minister Igor Shuvalov and Finance Minister Alexei Kudrin are expected to discuss the WTO in Washington this spring and summer.

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