

What the Vote Means for Foreign Investors

By [The Moscow Times](#)

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United Russia garnered less than 50 percent of the vote in State Duma elections for the first time in its decade-long history. What does that mean for foreign investors?

In terms of passing Kremlin-backed legislation, it should make little difference. The Liberal Democratic Party has faithfully backed the Kremlin line in its 20 years, and there is no reason that it should stop now. While A Just Russia, which was created by the Kremlin ahead of 2007 elections to drain votes from the Communists, criticized the authorities in the months before Sunday's elections, it is all but certain to side with the Kremlin on key legislation going forward. That leaves no need for the Communists, whose support will not be necessary for the Kremlin to obtain a Constitution-busting majority in the Duma.

More significantly, the results of Sunday's vote open the door for Prime Minister Vladimir Putin to call off his job swap with President Dmitry Medvedev. Putin, who is expected to easily reclaim the presidency for a third term in March, has linked the future appointment of Medvedev as prime minister to United Russia's performance in the Duma elections.

Should Putin decide to reconsider his options for prime minister, here are five possible candidates for foreign investors to keep an eye on:

- Former Finance Minister Alexei Kudrin. Our favorite pick by far, Kudrin has proved to be a results-oriented, principled technocrat who is not afraid to speak his mind even when his opinions are unpopular, as illustrated when he jealously guarded his multibillion-dollar stabilization fund from spendthrift populists in the 2000s. He won widespread praise for his farsightedness when his prudence bailed out the government during the financial crisis of 2008-09.

Kudrin's outspokenness also caused his downfall when he openly criticized Medvedev in September. But with the possibility of Medvedev's departure from the executive branch of government, let bygones be bygones. Kudrin is a prime minister whom foreign investors can count on, and he would work for the economy's well-being. The only caveat: Putin would need to heed his advice.

- First Deputy Prime Minister Igor Shuvalov. A poster boy of free-market economics with foreign investors, Shuvalov is actually next in line for the prime minister's seat as the second top minister in the Cabinet after Putin. He fills in as prime minister in Putin's absence and knows all the intricacies of government, having served as a minister since joining Mikhail Kasyanov's Cabinet in 2000.
- Kremlin chief of staff Sergei Naryshkin. Believed to have first met Putin while they both served in the KGB, Naryshkin worked with investors both in Putin's hometown of St. Petersburg and the Leningrad region before moving to Moscow in 2004 to, among other things, help Putin cement state control over Channel One television. A promotion could be due for his efforts to keep an eye on the Medvedev administration. As prime minister, he would likely be a yes-man, much like Mikhail Fradkov and Viktor Zubkov during Putin's previous presidential terms.
- Kremlin first deputy chief of staff Vladislav Surkov. If anyone deserves a merit-based promotion from Putin, it is Surkov, who as political ideologist masterminded the creation of the Rodina, Just Russia and Right Cause parties, as well as the Nashi youth group. Surkov also was instrumental to the development of "the power vertical" and "sovereign democracy," and to the rolling back of democratic norms over the past decade. In the best case scenario, Surkov would also be a yes-man as prime minister. But with his track record, he would probably be much more assertive.
- Anti-corruption blogger Alexei Navalny. A long-shot candidate, Navalny should not be written off by Putin or anyone else too quickly. Perhaps Navalny has committed the unpardonable sin by exposing corruption at state institutions like Transneft and VTB and, even worse, by labeling Putin's United Russia as "the party of crooks and thieves," now a popular catchword for the party among disillusioned voters.

But the perceived negatives could actually work to Putin's benefit. There is no better person to install as prime minister after elections that exposed disenchantment with United Russia than the one who first dared take the party to task in a high-profile manner. Moreover, Putin's main weak point as he returns to the Kremlin is his poor record on corruption. While there is little sign that Putin wants to improve in this area, the recruitment of a corruption-fighting campaigner could go far toward burnishing his credentials as a leader determined to improve the investment climate. One more thing: Navalny is a patriot whose actions follow his words,

and this puts him squarely in the same camp as Putin, whose has his own deep sense of patriotism. While pro-investment in his rhetoric, Navalny has no experience in politics, and as prime minister he could turn out to be a wild card for investors.

So where does that leave Medvedev?

We would like to see Medvedev get a shot at pushing ahead with the modernization and anti-corruption drives that were supposed to be the hallmarks of his presidency. But at the same time, we recognize that he has made precious little progress in those areas and the executive branch needs new blood. If the prime minister's post, indeed, is no longer in the cards for Medvedev, let him take up the speaker's post in the new State Duma. He was, after all, United Russia's sole candidate on the ballot in Sunday's Duma elections.

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