

# Shuvalov Maneuvers for Power in New Government

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First Deputy Prime Minister Igor Shuvalov staked a claim Monday to stay on as the government's No. 2, signaling continuity on economic policy and potentially weakening Prime Minister Dmitry Medvedev's future role.

With just a week to go until the expiration date to form a new government following President Vladimir Putin's swearing-in for a third Kremlin term on May 7, the shape of the next government remains unclear.

Shuvalov stepped into the vacuum by calling in an interview with Vedomosti for privatization and pro-growth spending policies, while slamming reports critical of his family's dealings.

"We need to cut state property in the economy by half," Shuvalov said in an interview that gave him a platform to expound on economic policy and to field softball questions on a series of lucrative investments by his wife.

Shuvalov, 45, came under pressure in March from reports in the Western press that his wife,

Olga, had netted more than \$100 million from a series of investment deals involving Russian billionaires.

He has admitted to the deals but said they were all legal and did not pose any conflicts of interest.

“You can be sure that in all my years of government service I have not allowed a conflict of interest to arise,” Shuvalov said, adding that reports suggesting otherwise amounted to “open hypocrisy.”

Shuvalov was a key player in the outgoing government, coordinating economic policy and leading Russia’s talks on joining the World Trade Organization, which were finally wrapped up at the end of last year.

“We would see it [his appointment] as a reinforcement of Shuvalov’s position, placing him in the role of Putin’s representative in the new Cabinet,” said Alfa Bank chief economist Natalya Orlova.

In Putin’s government, Shuvalov was seen as a mediator between the Cabinet liberals led by former Finance Minister Alexei Kudrin and advocates of a stronger role of the state, led by Deputy Prime Minister Igor Sechin.

Sechin is likely to leave the Cabinet but may retain his influence in the energy sector after being appointed as board chairman to the company through which the government owns its energy assets.

Medvedev will submit a list of ministerial candidates to Putin for approval this week, with the appointments expected to be finalized upon his return from this weekend’s G8 summit in the United States. Medvedev, who has said he plans to replace four out of every five ministers, last week made Shuvalov the point person for hitting a string of targets for creating a “new economy” issued by Putin on his return to the Kremlin a week ago.

Although Shuvalov has been a public advocate of privatization to reduce the state’s 50 percent share of Russia’s \$1.8 trillion economy, he has soft-pedaled on plans to sell off a minority stake in Sberbank.

Shuvalov also said Russia should not be afraid to increase borrowing to finance the innovative sectors of the economy and infrastructure.

“The deficit is not necessarily a risk. It can be an instrument for development,” Shuvalov said.

He said existing fiscal policy guidelines allowed for raising the state debt to 25 percent of gross domestic product from the current 10 percent.

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