

Analysts See Dynamic Mix of New Economic Policy Makers

By [The Moscow Times](#)

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A reshuffle of Russia's top economic officials has been designed to stave off looming stagnation, with a new minister likely to try and break with the policies of his predecessor despite possible opposition from the Kremlin, analysts said.

Newly appointed Economic Development Minister Alexei Ulyukaev is facing an uphill struggle as Russia's economic growth slows amid sliding commodity prices. And he may face obstruction from his predecessor, Andrei Belousov, who is the latest minister to be transferred to the so-called shadow government of advisors around Putin that is an alternative power base to Prime Minister Dmitry Medvedev's Cabinet of Ministers.

"This rearrangement reflects an attempt to find new sources of economic growth," said Natalya Orlova, chief economist at Alfa Bank. Ulyukayev is likely to devote more attention to stimulating private investment and cooperate more closely with the financial sphere, she added.

Considered one of the ruling elite's "economic liberals," Ulyukaev has fiercely defended the independence of the Central Bank as its first deputy chairman over the last nine years, and in his new role he is also touting a free market approach.

"I am deeply convinced that it is investment that matters and that we must join forces to create favorable conditions for private investment," Ulyukayev said during a meeting with Putin after his appointment last Monday, according to a transcript on the Kremlin's website.

MDM Bank board chairman Oleg Vyugin, a former head of Russia's stock market regulator, said Ulyukayev was likely to take a different tack from Belousov. "We won't expect Ulyukayev to demand subsidies for business or pay out public money for investment projects. He won't lobby for such ideas," Vyugin said.

Ulyukayev's reputation as an inflation fighter is likely to remain a part of his approach, experts said.

"[Ulyukayev's appointment] will improve the coordination of monetary and economic policy," said Alfa Bank's Orlova.

At the Central Bank, Ulyukayev was one of the most outspoken officials, and he is likely to be a much more "audible" minister than Belousov, according to Yulia Tsepeliaeva, chief economist at BNP Paribas in Moscow.

Economic headwinds are not the only difficulty that Ulyukayev may face in his new role.

Later this month, Belousov will replace Elvira Nabiullina, the new head of the Central Bank, as Putin's economic advisor, and experts speculate that Ulyukayev's predecessor will enjoy more influence alongside Putin than he ever did as a part of Medvedev's Cabinet.

"Belousov will be more visible as an economic advisor than as an economic minister," said Peter Westin, chief equity strategist at Moscow brokerage Aton, adding that Putin had an increasingly strong power base in the Kremlin, capable of circumventing Medvedev's ministers.

"Russia definitely has two governments," he said.

Some analysts suggested that there could be a clash between Belousov, who is less convinced of the importance of private investment and is a greater advocate of the role of the state, and Ulyukayev. The two men also hold directly opposing views — Belousov favors, Ulyukayev opposed — over whether the Central Bank should cut interest rate to stimulate economic growth.

Nabiullina's proximity to the Kremlin may make her more inclined than Sergei Ignatyev, her unbending predecessor at the head of the Central Bank, to acquiesce to pressure to cut interest rates, according to experts.

ING Bank's Dmitry Polevoy pointed out that Belousov, Ulyukayev and Nabiullina had already been cooperating on economic decision-making in the Russian government for years.

"All these people have been working together for a long time, know each other, and know

their place," he said. "People in three or four key positions have been changed but, in the end, real improvements in the economy are impossible without political liberalization."

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