

Ex Finance Minister Kudrin Offers Gloomy Prediction for Russia

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Russia's former Finance Minister Alexei Kudrin attends the Reuters Russia Investment Summit in Moscow in this Sept. 22.

Alexei Kudrin, former finance minister and one of President Vladimir Putin's closest allies, predicted that the Russian economy will contract for the next two years and offered his own plan on how to alleviate the crisis at a news conference in Moscow on Monday.

Kudrin, who served as finance minister from 2000 to 2011, steered clear of announcing any political ambitions but sharply criticized the government of Prime Minister Dmitry Medvedev.

"If oil prices go up to \$80 per barrel, then GDP [gross domestic product] will go down by 2 percent or more next year. If the price stays at \$60 per barrel, the economy will contract by at least 4 percent," he said.

For the first time since Putin came to power at the end of 1999, Russians will face a drop

in their standards of living, according to Kudrin.

"People's real incomes will go down by 2-5 percent," he said.

Inflation will have already reached 9.4 percent by the year's end, according to Russia's state statistical service Rosstat, and inflation is likely to reach 15 percent next year, Kudrin predicted. Worse yet, Russia's credit rating will be downgraded to junk, he said.

Russia will import 40 percent less foreign goods, which will contribute to the ruble's stabilization. Russia's currency, which has depreciated by at least 40 percent this year, will likely stabilize at the beginning of 2015 at its current levels, according to Kudrin.

While warning of tough times ahead, Kudrin — who previously worked with Putin in the St. Petersburg city administration — refrained from offering any direct criticism of the president, saying instead that he "understands the challenges that Russia is facing now, but he [Putin] probably does not have the full information yet."

During his annual news conference last week, Putin radiated confidence, saying that Russia would overcome the economic storm in two years' time in the worst-case scenario.

At the same time, Kudrin criticized the prime minister's Cabinet for not taking the measures to fight the crisis "swiftly enough."

Kudrin quit the government over a public argument with then-President Medvedev in 2011. During an interview with journalists in Washington at the time, Kudrin said he did not want to work under Medvedev after it was announced that Putin and Medvedev would be swapping jobs after the 2012 presidential election.

The comment enraged Medvedev, who suggested that Kudrin should resign.

Since then, experts and pundits have speculated that Kudrin, who now leads the Civic Initiatives Committee, a think tank and nongovernment advocacy group, might replace Medvedev as Russia's prime minister.

One of the long-time leaders of the Russian opposition, Grigory Yavkinsky, went so far as to advocate Kudrin's candidacy for the post of prime minister this December.

Kudrin has repeatedly dismissed such rumors, focusing instead on offering his own recovery plan for Russia's economy at Thursday's conference.

Russia must find a way to compromise with Western nations in order to shake off the effects of the sanctions, Kudrin said.

"Our partners within the BRICS nations are able to maintain their countries' sovereignty without cutting themselves off from the outside world," he said, apparently referring to a comment Putin had made earlier saying that the economic storm is the price Russia has to pay for its independence as a nation.

Russia also has to improve the structure of its budget, Kudrin said, spending more on health care, education and infrastructure.

Most of all, Russia has to shake off its oil dependency by dramatically improving the investment climate, he said.

"Russia needs to say that \$75 per barrel is OK for us and we will learn how to make an effective economy with it, or even with \$60 per barrel. We must not go back to the old way," Kudrin said.

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