

Russia's New Economic Development Minister is the Status Quo Candidate

Don't expect former Finance Ministry official Maxim Oreshkin to rock the boat

By [Matthew Kupfer](#)

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It took two weeks for President Vladimir Putin to find a replacement for Alexei Ulyukayev, the economic development minister sacked in a corruption scandal. His final choice of Maxim Oreshkin, a largely unknown 34-year-old deputy finance minister, raised a few eyebrows.

“Maxim, you are a fairly young man, but I cannot call you a young specialist,” Putin said to Oreshkin during the appointment meeting.

A macroeconomist with fairly extensive experience in both the private and public sector, Oreshkin has been praised in Russia’s financial sector as smart, professional, and deeply

knowledgeable – in short, a true technocrat.

The appointment of such a young and well regarded technocrat suggests that, this time, the Kremlin bypassed the standard patronage networks to pick the best person for the job.

New minister, no answers: [Read our look at the logic of Oreshkin's appointment.](#)

“Clearly it was done not out of loyalty to the current team, but because of [Oreshkin’s] competence and professionalism,” says Sergei Romanchuk, head of money markets at Metallinvestbank.

But these same positive traits also raise questions about Oreshkin’s potential effectiveness in office. He now inherits a ministry charged with macroeconomic planning and charting economic growth, but one which has fallen in importance in the last several years. Putin’s appointment of an official from the Finance Ministry, which focuses on filling state coffers and controlling expenses, to head Economic Development suggests that the Kremlin has chosen a conservative economic path focused on balancing the budget, experts say.

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Gone are the days of reformist German Gref, who served as Economic Development and Trade Minister from 2000 to 2007 and proposed vast reforms to overhaul the tax system, privatize state industries, deregulate the economy, reform the state, and drive Russia toward World Trade Organization accession. Oreshkin has a rather different mandate.

“The decisions he makes about economic growth will be based upon budgetary realities — and minimal risk,” says Denis Poryvai, a bond market analyst for Raiffeisenbank.

As a result, the reforms Oreshkin advocates would strive to build upon the current system. Romanchuk suggests these could include tax breaks for certain economic sectors, or the removal of barriers to growth to improve Russia’s ranking in the Doing Business index. In other words: gradual changes, not radical ones.

“We can expect micro-changes that will influence the economy and the trajectory of growth,” he says. “Reforms will happen, but they will be of a local and technical nature.” Even if Oreshkin wanted to carry out more radical reforms, he does not have the political power, Romanchuk says. Unlike Ulyukayev — who, prior to becoming minister, held the second highest position in the Central Bank and got his start with 1990s political reformer Yegor Gaidar — Oreshkin has a much weaker political pedigree. To increase his influence, he will have to “gain political weight,” Romanchuk says.

The loyalty of fear: [Read our in-depth coverage of Alexei Ulyukayev's arrest on corruption charges.](#)

In this regard, Oreshkin can be understood as a status quo candidate. Under Ulyukayev, the Economic Development Ministry took a backseat to the Finance Ministry and the Central Bank. These two ministries became the places where “the government leadership and the presidential administration turned for expert help,” Deputy Prime Minister Igor Shuvalov said on Dec. 1, while introducing Oreshkin to the staff of his new ministry. “We need to go back and make sure that the fundamental work of macroeconomic prognoses is done in the

Economic Development Ministry.”

Appointing a Finance official to take over Economic Development is both the most direct and least transformative way of doing that. “Now it’s all under the Finance Ministry,” a source close to the government told The Moscow Times.

Oreshkin seemed to suggest as much during his first meeting with the Economic Development Ministry staff. Now, the Ministry must undergo a “reset,” he said. Among its top priorities will be greater cooperation with the Finance Ministry, the Central Bank, and the other state ministries.

“We can’t reach an optimal result alone,” Oreshkin told his new staff.

Read more: [Ulyukayev's arrest is a tectonic convulsion for the Russian government.](#)

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