

# Addressing global concerns

## INTERVIEW WITH IGOR SHUVALOV

AIDE TO THE PRESIDENT AND G8 ADVISOR, RUSSIAN FEDERATION



**IGOR SHUVALOV** graduated from the law faculty of the Lomonosov Moscow State University in 1993. In 1998, he became Chairman of the Russian Foundation of Federal Property and in 2000 he was appointed Head of the Russian Federation Government Apparatus – Minister of the Russian Federation. In June 2003 he was appointed aide to the President of the Russian Federation and between 2003-4 was Deputy Chief of Staff of the Presidential Office. He is married with one son and two daughters.

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**President Putin has set out the main themes of Russia's G8 Presidency, including energy security, fighting infectious diseases and education. What do you regard as the key priorities?**

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Certainly energy security is a key priority and a subject which is top of the global agenda. When we were discussing the G8 St Petersburg Summit with our partners, friends and colleagues, it became clear to President Putin that energy security was a key issue for the future and, given Russia's important role in delivering oil and gas to the world market, it was also considered a good opportunity for Russia to explain its approach to energy security, based on the OECD definition of 'security of supply'.

The President is determined to demonstrate Russia's balanced approach to energy security, both in terms of security of supply as well as security of demand. The energy equation must be reciprocated – security of supply depends on secure contracts with consumer countries at agreed and reasonable prices. It also means reciprocity – the opening up of investment in Russia's upstream sector must coincide with Russia being allowed to invest in the international downstream sector.

The second key G8 objective relates to education and healthcare. President Putin has made clear that education is a national domestic priority, not just during his Presidency but for future Presidents. In a sense, energy and education are linked – Russia is an energy producing country with significant intellectual potential and the future development of our energy assets depends on further enhancing Russia's knowledge base. So our educational objectives are focused on promoting professional skills and the creation of an internationally renowned and competitive skills base.

We believe therefore that one cannot easily distinguish between these G8 priorities, because energy security and knowledge-based societies are interlinked. In co-operation with our G8 partners we aim to create a scheme to allow graduates from different universities to compete internationally, so that their qualifications are universally accepted. We are therefore calling for an open and transparent global market for knowledge and innovation. It is also worth noting the growing gap between levels of education in industrialised and developing nations which results in poorer countries finding it increasingly difficult to adopt new technologies. This phenomenon may impede the growth of the global

economy and social prosperity, making it a vital issue for the G8 leaders to consider.

The third area to be addressed is that of infectious diseases – a subject which we take very seriously, given our extensive boundaries with our neighbours and the very real global concern about pandemics. SARS and bird flu are two notable examples and we need a global response mechanism if we are to tackle future outbreaks in any meaningful way. There is also the regional variation in the impact of infectious diseases – often those areas most likely to experience infectious diseases are those least able to cope. Infectious diseases account for a third of global mortality and therefore pose a serious threat to mankind's development.

So we have these key priorities which are interlinked and all constitute key international priorities for our partner nations, as well as being of critical importance on the international agenda. They also reflect Russia's experience and capability contributing to solutions.

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**The issue of energy security is a topical one, especially with regard to energy supply and the controversy surrounding, for example, the North European Gas Pipeline. What are your comments on this?**

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The G8 Summit aims to establish universal rules of operation in the energy sector. Certainly we will discuss a common approach to the transit countries and their infrastructure requirements. Energy security is a two-way process and is the key to both sustainable economic development and political stability. The growth of the global economy depends on an uninterrupted and effective supply but consuming countries must realise that producers need supply contracts at market prices to provide a reasonable return on production investment.

Energy security is a controversial area and is especially problematic given the increasing risks from volatile commodity prices, the growing dependence of energy consuming regions on imports, ethnic conflicts in some producer regions and transit countries, terrorist threats and the impact on climate change. These threats can only be addressed through a proper producer-consumer dialogue, with both sides acting in a responsible manner.

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**A unique aspect of your G8 Presidency is Russia's active engagement of multilateral organisations and NGOs in the G8 process. How is this progressing?**

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The G8 is an exclusive club and we considered it

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very important to canvas the opinions of as many countries as possible as part of the outreach format. When considering the issue of energy security, for example, one has to understand the views of two of the great consuming nations – India and China. We are encouraging the input of many multilateral organisations such as the UN, UNESCO and others. Our focus on infectious diseases will be greatly assisted by the input of the World Health Organisation (WHO).

**Do you see the G8 expanding to include other countries, and what is your view on the G7 anomaly, where Russia has the G8 Presidency but is not included in the G7 Finance Ministers group?**

It is difficult to comment on these issues. My personal view is that if the G8 grouping expands one may find that decision making is slowed down and the format become less effective. There is of course the G20 format, which is a separate entity.

Russia's absence from the G7 is a strange situation and many of the G7 countries consider our absence very odd. It is clearly absurd to deal with the financial mechanisms connected to, for example, energy security without understanding Russia's views and perspectives. It is a very artificial situation and our non-inclusion is to the detriment of the other members. I suspect that any attempt to bar Russia from the G7 will be politically motivated and based on a superficial and prejudiced view of Russia. Russia has instituted and is implementing a deep democratic and social transformation. We have reformed education, healthcare and pensions and are pursuing a conservative and responsible economic policy. It is a fact that Russia is inexorably linked to the global economy and given our oil and gas reserves have a major influence, so our views must be heard. It is impossible to resolve any important global economic issue without the participation of Russia and I believe that most of our G8 partners understand this.

Igor Shuvalov, Russia's G8 'Sherpa' and Rupert Goodman, Chairman of FIRST



**You have argued strongly for economic reform in Russia and in 2004 you were appointed to the Special Reform Commission. How is the reform process progressing, to what extent should the State play a role in the economy and does economic reform in Russia need a national psychological metamorphosis?**

The reform process is progressing well but everyone would like the pace to quicken. Reform always encounters resistance and this situation is no different in Russia. There is resistance from the bureaucracy and the reform process does need a certain 'national psychological metamorphosis', as you describe it, and I do believe that a transformation of the bureaucratic mentality is now taking place.

As far as the role of government is concerned, we now have a situation where some 60 per cent of the economy is in private hands and there are still further State assets to be privatised. However there are certain assets which the people of Russia have decided should be controlled, for a certain time, by the State. These include the pipelines so that oil and gas producers can have equal access. We remain satisfied that it is right that the government should play the critical role in this instance. We still have some forty-five enterprises under government control, but the process of privatisation is ongoing and we believe in the important contribution of the private sector.

**G8 Summits often trumpet major initiatives which fail to materialise. Against what benchmarks will Russia's G8 Presidency be judged?**

I think the starting point must be to benchmark performance at the national level and I am certain that the leaders of the G8 countries will do their best to ensure success and compliance with G8 objectives in their own countries.

This is important given that each country is at a different level in terms of development and therefore needs to set its own benchmarks. As an example of this we have asked all our G8 partners to revise their energy strategies, and so a real test will be the extent to which our partners develop new energy strategies and resolve the very important topic of energy efficiency. Our G8 Presidency will aim to set the framework and agree certain principles for G8 members to implement at the national level.

I believe that we have developed a very comprehensive agenda covering energy security, education and fighting infectious diseases, as well the traditional issues of non-proliferation of weapons of mass destruction, fighting terrorism and the protection of intellectual property rights. Russia regards it as a duty to give renewed impetus to finding solutions to these key international problems and I welcome this report by FIRST, which highlights the key issues facing us all. **F**