
Putin offers new development strategy for Russia

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Russian President Vladimir Putin offered a new development strategy for the country at a State Council session on Friday.

Putin, who enjoys widespread popularity in Russia, will step down after eight years in office following the March 2 presidential elections.

Admitting that Russia had so far failed to get rid of an 'inert' dependence on natural resources, and that it had become trapped in the role of a crude exporter, Putin described innovative development as the only alternative to dependence on natural resources.

"The strategy of innovative development...relies on human potential and the effective use of knowledge and individual skills," Putin said.

Speaking to ministers, governors and MPs, he also said it would be necessary to raise the efficiency of the economy and state management as well as increase investment in education, healthcare and science. He also said Russia needed to take steps to push up life expectancy, and to encourage the growth of the middle-class.

He also urged the use of the experience and resources accumulated over the past eight years to launch Russia into a brand new stage of development.

To this end, Putin said, the country should make a switch over to the latest educational standards, provide pensioners and the disabled with adequate allowances, and further review and reform the current tax system.

Summing up the results of his eight-year stay in office, Putin said the country now ranked among the world's top seven economies and that, "Today, we have already completely restored the state of socio-economic development we lost in the 1990s."

The president also called for a reduction in the state-controlled sector of the economy and for more private investment incentives.

He also said Russia should increase its labor productivity four-fold by 2020.

"A four-fold growth, at least, in this indicator should be reached in principle sectors within 12 years," the president said.

The Russian leader said that a previously set goal of doubling Russia's GDP within 10 years by 2010 could now be reached by late 2009, provided annual GDP growth is kept within 7-8%.

According to Russia's Statistics Service, the country's GDP growth reached 8.1% last year. Russia's GDP totaled \$330 billion in 2007.

However, many economists said Russia's booming economy has been mostly driven by high crude prices, with raw materials accounting for the bulk of Russian exports.

The country's market capitalization has also seen massive growth since 1999, with accumulated foreign investment increasing seven-fold in the period. Net capital inflow into Russia hit \$82.3 billion last year.

Net capital outflow from Russia reached \$9 billion in January 2008, following

a twofold increase in net capital inflow into the country in 2007, a Central Bank official said on Thursday.

Putin admitted however that despite a great deal of progress having been made, the country still had much work to do, saying that, "We are still modernizing our economy in a very fragmented way."
