

RUSSIA ON THE WORLD MAP

20 years of chaotic transition

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From the Soviet Union to Russian Federation

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- Triple transition:
 - ▣ From one country to another
 - ▣ From one state to another
 - ▣ From one system to another

Soviet Union: Hard power.

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- Territorially biggest country in the world
- Rich in natural resources
- Second industrial powerhouse in the world. Leading sectors:
 - ▣ Military-industrial establishment with nuclear-missile capabilities
 - ▣ Cosmos exploration
 - ▣ Nuclear energy research
- Biggest army in the world
- The centre of communist empire

Soviet Union: Soft Power.

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- Superpower image
- Alternative global ideological paradigm
- Leading science (~ 20 Nobel Prize winners)
- Cultural wealth (classical Russian literature, Soviet art and unofficial art)
- Sport achievements (Olympic prize winners)

Soviet social system

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- ❑ Free universal healthcare system
- ❑ Free universal education
- ❑ Low income inequality
- ❑ Relatively low crime rate
- ❑ Low corruption
- ❑ Life expectancy - 70 years (by 1965)

Was Soviet system reformable?

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Pro

- Generally strong institutions
- Large human capital
- Resource base
- Developed economy
- Archie Brown, Steve Cohen

Contra

- Complex and vulnerable state structure
- Lost economic and social dynamism, deepening systemic crisis (failing growth rates, growing crime rate, expansion of cynicism)
- Rigid politic and economic system
- Over-militarization of economy
- Lack of civil society

Big leap forward, instead of ordered transition

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- Political system
- Ideology
- Self-identity
- Property relations
- Economic system
- Foreign Policy

Price of transition

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Soviet Union

Russia

$\frac{3}{4}$ of territory

$\frac{2}{3}$ of economic potential

$\frac{1}{2}$ of population



TERRITORIAL LOSS:

Russia returned to 17th century borders

Transition in numbers

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| | Soviet Union | Russia – 1990^s | | 2000 - 2011 |
|---|--------------------------------------|----------------------------------|-------------|-----------------------|
| Territory | 22,402,000 km ² (1991) | 17,100,000 km ² | | |
| Population, mln | 293 (1991) | 147,4 (1989) | | 142,9 (1 April, 2011) |
| Birth rate | 2,2 (1987/88) | 1,5 (1992) | 1,19 (1999) | 1,5 (2010) |
| Mortality rate | 10 per 1000 (1990) | 16 per 1000 (1994 - 2008) | | |
| Poverty rate, % | | 33,5 (1992) | | 13 |
| Gini coefficient | 26% (1986) | | | 42% (2009) |
| Research and development spending, % of GDP | 3,5 (late 1980 ^s) | | | 1.3 |

Transition in economy

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- 1989 – 1998 – transitional shock (GDP - 55% of the pre-recession 1989 level).
- Growth of shadow economy (~50% of GDP)
- Growth of income inequality (Decile coefficient: 8 (1992), 17 (2007))
- 1998 – 2008 - ~ 7% annual growth (1989 GDP level still is not reached, estimated to in 2012)

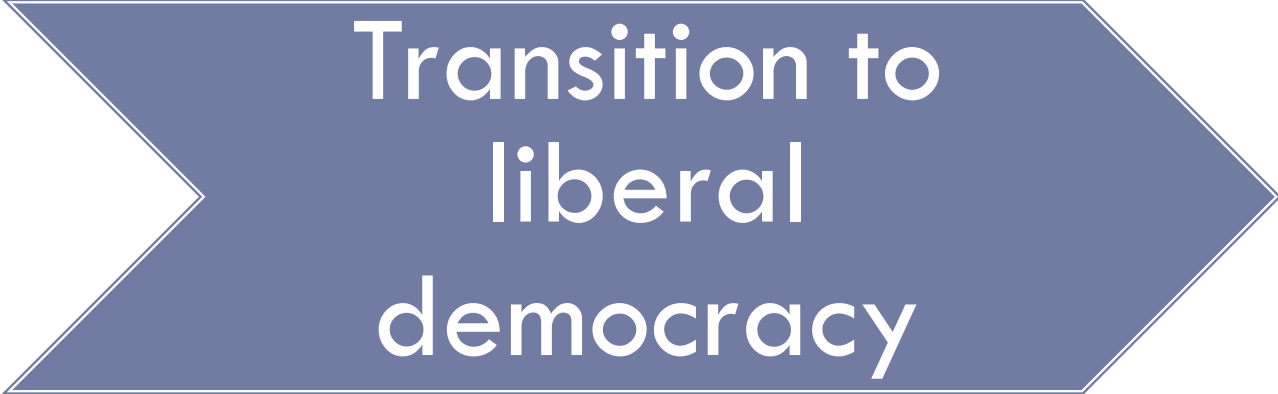
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New Russia

New Challenges

Two major transition tasks:

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Transition to
liberal
democracy



Transition to
modern market
economy

What went wrong and why?

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- The answer depends on:
 - ▣ Who are you?
 - ▣ Have you lost or gained during the transition?
 - ▣ What do you stand for?

Peculiar Russian market: 5 embedded characteristics of Russian capitalism

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Retarded
capitalism

Peripheral
capitalism

Dependent
capitalism

Returned
capitalism

Shy
capitalism

Dramatic economic transition. Reasons:

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Economic:

- Distortions in production structure (over-industrialization, over-militarization, monopolism)
- Perverted trade flows among former Soviet republics and Comecon countries
- Shock without therapy: loss of industrial base.

Institutional:

- Institutional collapse
- Weak rule of law
- Poor business environment

Russia did worse economically during transition than most other countries in Europe and Asia.

Change in foreign trade pattern

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- From military to resource oriented economy:
 - **81** % - share of mineral products, metals and diamonds in Russian exports in 2007 (compared to 52% in 1990);
 - **6** % - share of machinery and equipment in 2007 (18 in 1990).

Resource oriented economy has been a persistent trend in post-Soviet Russia. The country lacks strategy of economic development and modernization.

Major players

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- Super-presidency
- Corrupt bureaucracy
- “Siloviki”
- Passive but influential society

Russian system: new incarnation

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- ❑ Intertwined political and economic power
- ❑ Monolithic power, without any checks and balances
- ❑ Omnipotent presidency vs. weak legislative and judicial powers
- ❑ Staged election
- ❑ Powerless ruling party
- ❑ Controlled media

Institutional inefficiency

Social degradation

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- ❑ Fragmented and distorted system of values (from national to individual)
- ❑ Unbridled individualism with no sense of social responsibility
- ❑ Endemic corruption
- ❑ Dramatic fall in quality and availability of all public goods, from healthcare to law and order
- ❑ Weak civil society

Putin's stabilization

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- Prevented disintegration of the country
- Oligarchs reined
- A decade of economic growth
- Increases in government revenues and spending
- Accumulation of foreign exchange reserves
- Decreased mortality, murder, and suicide rates

Russia today

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2010

| | | |
|---|---|-------------------------------------|
| GDP (PPP) | \$2.223 trillion | |
| GDP (Official Exchange Rate) | \$1.465 trillion | |
| GDP Per Capita (PPP) | \$15,900 | |
| Exports | \$377 billion | |
| HDI | 0.719 (High human development category) | |
| Democracy index (Economist) | 4,26/10 (Hybrid regime category, 107 out of 167) | |
| Freedom House Freedom in the World Rating | Political Rights Score: 6 Civil Liberties Score: 5 Status: Not Free | (1 – highest level of freedom to 7) |
| Corruption Perceptions Index | 2.1/10 (154 place out of 178) | |
| The World Bank Worldwide Governance Indicators | Government Effectiveness | -0,28 |
| (indicators are measured in units ranging from -2.5 to 2.5, higher values better) | Rule of Law | -0,77 |

Modern Russia: Mixed outcome

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Pro

- Freedoms
- Overcoming of deficit of consumer goods
- Emergence of self-reliant middle class
- Some degree of responsiveness of power

Contra

- Vague self-identification
- Imitational democracy
- Unaccountable power
- Uncompetitive market
- Geopolitical loneliness