

The Contemporary Russian Economy

Marek Dabrowski
Editor

The Contemporary Russian Economy

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PREFACE

We offer an international textbook on the contemporary Russian economy for undergraduate and graduate students of various universities and faculties that teach Russian studies, the Russian economy, Russian politics, the economics of transition and emerging markets, international relations, and other relevant topics. Some chapters may also be helpful for post-graduate courses, academics, analysts, and practitioners in their daily work.

The textbook contains broad characteristics of the economic geography of Russia, its natural and human resources, the contemporary Russian economic history, institutions and governance, major sectors, a regional dimension, Russia's role in the global economy, and economic and social policy challenges. It consists of 19 chapters grouped into seven thematic parts.

Part I analyses the geographic conditions and natural and human resources that determine Russia's economic and social development. It consists of two chapters. Chapter 1, authored by Leonid Limonov and Denis Kadochnikov, contains the major geographic characteristics of Russia, its climate, natural resources, and transport infrastructure. Chapter 2, written by Irina Denisova and Marina Kartseva, deals with demographic trends, health, and education.

Part II is about the historical roots of the contemporary Russian economy. It also contains two chapters, both authored by Carol Scott Leonard. Chapter 3 presents the period of capitalist industrialisation and modernisation until WWI. Chapter 4 describes the period of communist industrialisation between the October Revolution in 1917 and the collapse of the Soviet Union in 1991.

Part III provides an overview of the institutional settings which determine the functioning of the Russian economy since the beginning of the 1990s. It contains three chapters. Chapter 5, written by Christopher Hartwell, discusses the constitutional foundations of the economic system and the role of government in economic activity. Chapter 6 of Marek Dabrowski analyses the factors that determine Russia's business and investment climate and

governance system. Chapter 7, authored by Alexander Radygin and Alexander Abramov, presents the evolution of the ownership structure of the Russian economy, corporate governance, and stock market.

Part IV is about the Russian economy's key sectors and Russia's regional diversity. It is composed of four chapters. Chapter 8, written by Svetlana Avdasheva, provides an overview of the structural changes in the Russian economy since 1992. Chapter 9 of Przemyslaw Kowalski is devoted to the energy sector, its evolution, and future challenges. Chapter 10 of Evgeniya Serova presents changes in the agriculture sector since 1992. Chapter 11, authored by Leonid Limonov, Olga Rusetskaya, and Nikolai Zhunda, deals with regional diversity.

Part V is devoted to Russia's role in the global economy, trade and investment relations with leading partners, and membership in international and regional economic and financial organisations. It also presents the negative impact of geopolitical choices and sanctions since 2014. It consists of three chapters. In Chapter 12, Arne Melchior analyses changes in trade flows and trade systems. Chapter 13 of Kalman Kalotay discusses foreign direct and portfolio investment, both incoming and outgoing. In Chapter 14, Marek Dabrowski and Svetlana Avdasheva analyse the subsequent sanctions against Russia since 2014, including an unprecedented package of sanctions that followed Russia's invasion of Ukraine in February 2022 and Russia's policy responses to these sanctions.

Part VI analyses the economic and social policy challenges faced by the Russian economy, such as the declining growth rate, sources of macroeconomic and financial vulnerability, inflation and monetary policy, fiscal policy and the tax system, labour market conditions, poverty and income inequality, the role of social policy and the public pension system, and others. It consists of four chapters. Chapter 15 of Ilya Voskoboynikov analyses the factors of economic growth in post-Soviet Russia. In Chapter 16, Marek Dabrowski discusses sources of macroeconomic vulnerability and the evolution of monetary and fiscal policies, including the tax system. Chapter 17 of Vladimir Gimpelson deals with the specific features of the labour market in Russia. In Chapter 18, Irina Denisova and Marina Kartseva analyse trends in living standards, poverty, and inequality in Russia and a broad spectrum of social policy measures and institutions, including a public pension system.

Finally, Part VII (Chapter 19), prepared by Marek Dabrowski and having a summary character for the entire volume, provides an overview of the changes in economic policy and the economic and governance system since the early 1990s. It also signals some development challenges the Russian economy may face in the forthcoming years.

One of the motivations for undertaking this project was to offer students worldwide and a broader academic and analytical community an updated picture of a contemporary Russian economy in the situation when similar publications were produced at least a decade earlier. When we started working on this project in 2020, we could not predict the dramatic and unexpected developments that shocked the entire world in February 2022, the war in

Ukraine. Instead, we were preoccupied with the potential impact of the COVID-19 pandemic.

Most chapters were written between September 2021 and January 2022, before the invasion of Ukraine and accompanying sanctions and counter-sanctions. Chapters 14 and 19 that deal extensively with this issue were written later—in May and June 2022. Some other chapters include last-minute updates that try at least signal potential consequences of the war and sanctions for the Russian economy. However, given the conflict’s far-going political and economic implications, the high degree of uncertainty and unpredictability concerning future developments, and lack of data, we know that the picture presented in some chapters may change substantially in the coming months and years. Nevertheless, we believe we provide a professional, honest, and correct analysis of how the Russian economy and Russian economic system looked and worked in the early 2020s.

An international team of 18 authors has prepared the textbook (see the ‘Contributors’ section for their bio notes), representing the highest expertise in the respective topics and having long experience analysing the Russian economy.

This textbook idea was born in the Higher School of Economics (HSE) in Moscow and its Faculty of Economic Sciences. Professors Evgenii Yasin and Yaroslav Kuzminov, Academic Supervisors of the HSE, were among those who inspired me to undertake this difficult task. The final thematic plan benefited from the comments of anonymous referees invited by the publisher.

At the stage of project implementation, Kristen Hartwell provided extensive assistance in language editing and editorial harmonisation of all chapters. My granddaughter Joanna Dabrowska, a fresh graduate of the University of Strathclyde in Glasgow, helped with their technical formatting.

This work also would not have been possible without the generous contribution of the Atlas Foundation, who provided a grant (number G-0486-22Q2-1) under their illiberalism programme, to allow for the English language editing of the final volume. Thanks are also due to the ZHAW School of Management and Law’s International Management Institute, based in Winterthur, Switzerland, which oversaw the administration of this grant on behalf of the Editor and the contributors.

The views and opinions presented in this volume are those of the respective authors only. They do not necessarily reflect the position of the institutions with which they have been associated and other contributors to this publication. Authors take sole responsibility for the content and scientific quality of the respective chapters. As the scientific coordinator and editor of this volume, I am responsible for its conceptualisation, thematic composition, choice of the authors, and overall editorial coherence.

Brussels, Belgium
June 2022

Marek Dabrowski

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ABBREVIATIONS

AIDS	Acquired Immunodeficiency Syndrome
AO	<i>Avtonomnyi Okrug</i> (Autonomous District)
AZLK	<i>Avtomobil'nyi zavod Leninskogo Komsomola</i> (Lenin Komsomol Automobile Factory)
BMIE	Balance of Monetary Incomes and Expenditures
BRIC	Brazil, Russia, India, and China
BTI	Bertelsmann Stiftung's Transformation Index
CAATSA	Countering America's Adversaries Through Sanctions Act
CBAM	Carbon Border Adjustment Mechanism
CBRF	Central Bank of the Russian Federation
CEO	Chief Executive Officer
CET	Carbon Emission Trading
CIS	Commonwealth of Independent States
CIT	Corporate Income Tax
CMEA/COMECON	Council for Mutual Economic Assistance
CO ₂	Carbon Dioxide
COP26	(UN) Climate Change Conference
COVID-19	Coronavirus Disease 2019
CPRF	Communist Party of the Russian Federation
CPSU	Communist Party of the Soviet Union
CSO	Civil Society Organisation
EAEU	Eurasian Economic Union
EBRD	European Bank for Reconstruction and Development
EIUDI	Economist Intelligence Unit Democracy Index
EU	European Union
EUR	Euro
FAO	Food and Agriculture Organization
FAS	Federal Antimonopoly Service
FCL	Federal Constitutional Law
FCTC	Framework Convention on Tobacco Control
FDI	Foreign Direct Investment
FEHL	Far-Eastern Hectare Law

FFMMI	Federal Fund for Mandatory Medical Insurance
FGC	Federal Grid Company
FHFIW	Freedom House's Freedom in the World
FHNIT	Freedom House's Nations in Transit
FLW	Food Loss and Waste
FPI	Foreign Portfolio Investment
FSB	<i>Federal'naya sluzhba bezopasnosti</i> (Federal Security Service)
FSU	Former Soviet Union
FTA	Free Trade Agreement
G20	Group of Twenty
G7	Group of Seven
G8	Group of Eight
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GFC	Global Financial Crisis
GFSI	Global Food Security Index
GG	General Government
GNI	Gross National Income
GNP	Gross National Product
GOSPLAN	<i>Gosudarstvennyi planovyi komitet</i> (State Planning Committee)
GRP	Gross Regional Product
HBS	Household Budget Survey
HDI	Human Development Index
HFIEF	Heritage Foundation Index of Economic Freedom
HIV	Human Immunodeficiency Virus
HQ	Headquarter
ICLS	International Conference of Labour Statisticians
ICRG	International Country Risk Guide
ICT	Information and Telecommunication Technologies
IEA	International Energy Agency
IFS	International Financial Statistics
ILO	International Labour Organization
IMF	International Monetary Fund
IPO	Initial Public Offering
IPR	Intellectual Property Rights
ISCO	International Standard Classification of Occupations
IT	Information Technologies
KBC	Knowledge-Based Capital
LNG	Liquefied Natural Gas
M&A	Mergers and Acquisitions
MET	Mineral Extraction Tax
MFN	Most Favoured Nation
MICEX	Moscow Interbank Currency Exchange
MNE	Multi-National Enterprise
NATO	North Atlantic Treaty Organization
NEP	New Economic Policy
NGO	Non-Governmental Organisation
NLMK	New Lipetsk Metallurgy Company

NWF	National Wealth Fund
OECD	Organisation for Economic Co-operation and Development
OJSC	Open Joint Stock Company
P/BV	Price-To-Book Value
PCA	Partnership and Cooperation Agreement (with the EU)
PISA	Programme for International Student Assessment
PIT	Personal Income Tax
pp	Percentage Point
PPP	Purchasing Power Parity
PSE	Producer Support Estimate
PSEDA	Priority Social and Economic Development Area
R&D	Research and Development
RAO EES/UES	Russian Joint-Stock Company ‘United Energy Systems’
RCA	Revealed Comparative Advantage
RF	Russian Federation
RLMS-HSE	Russia Longitudinal Monitoring Survey of the Higher School of Economics
ROE	Return on Equity
Rosstat	Federal State Statistics Service
ROW	Rest of the World
RSFSR	Russian Soviet Federative Socialist Republic
RTS	Russian Trading System
RUB	Rouble
SAR	Special Administrative Region
SDGs	Sustainable Development Goals
SEZ	Special Economic Zone
SMEs	Small- and Medium-Sized Enterprises
SNA	System of National Accounts
SOE	State-Owned Enterprise
SPIMEX	Saint-Petersburg International Mercantile Exchange
SSIPSP	Statistical Survey of Income and Participation in Social Programmes
STRI	Services Trade Restrictiveness Index (of OECD)
SUE	State Unitary Enterprise
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TFP	Total Factor Productivity
TFR	Total Fertility Rate
TICPI	Transparency International Corruption Perception Index
TNK-BP	<i>Tyumenskaya neftyanaya kompaniya</i> (Tyumen Oil Company)—British Petroleum
TRIPS	Trade-Related Intellectual Property Rights
UGSS	Unified Gas Supply System
UK	United Kingdom (of Great Britain and Northern Ireland)
UMMC	Ural Mining Metallurgical Company
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
US	United States

USD	United States dollar
USE	United State Examination
USSR	Union of the Soviet Socialist Republics
VAT	Value Added Tax
VEB	<i>Vnesheconombank</i> (Foreign Economic Affair Bank)
WBDB	World Bank Doing Business
WBWDI	World Bank's World Development Indicators
WBWGI	World Bank's World Governance Indicators
WEFGCR	World Economic Forum's Global Competitiveness Report
WEO	World Economic Outlook
WHO	World Health Organization
WTO	World Trade Organization
WWI	World War I
WWII	World War II

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