

**EXPLORING THE FUTURE OF RUSSIA'S
ECONOMY AND MARKETS**

In this extraordinary, essential volume, Bruno Sergi has put together a diverse, multinational, multidisciplinary collection of authors to explore the most important, most relevant trends in Russian economic development. This book deserves a wide audience of scholars and practitioners of policy and management.

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(Primakov Institute of World Economy and
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Industry, Innovation and Entrepreneurship;
Chairman of the Commission on Legal Support of the
Development of Organizations of Defence-Industrial Sector.

EXPLORING THE FUTURE OF RUSSIA'S ECONOMY AND MARKETS: TOWARDS SUSTAINABLE ECONOMIC DEVELOPMENT

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United Kingdom – North America – Japan – India – Malaysia – China

Emerald Publishing Limited
Howard House, Wagon Lane, Bingley BD16 1WA, UK

First edition 2019

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British Library Cataloguing in Publication Data

A catalogue record for this book is available from the British Library

ISBN: 978-1-78769-398-2 (Print)

ISBN: 978-1-78769-397-5 (Online)

ISBN: 978-1-78769-399-9 (Epub)



ISOQAR certified
Management System,
awarded to Emerald
for adherence to
Environmental
standard
ISO 14001:2004.

Certificate Number 1985
ISO 14001



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Acknowledgments

This book originates from a special seminar “New Reality and Russian Markets” held at Harvard Davis Center for Russian and Eurasian Studies on April 10, 2017, co-hosted by the Davis Center and RUDN University, Moscow. I must start by thanking the Director of Harvard Davis Center, Rawi Abdelal, who enthusiastically supported the event and the subsequent work on this book. Penelope Marie Skalnik at the Davis Center has helped with the organization of the meeting and with a broad range of administrative stuff. They both deserve my gratitude to have given me advice and were as important to this book getting done.

Special thanks to RUDN University that has co-organized and financed the special seminar at Harvard and supported the many colleagues who flew to Cambridge to present their research, not least the Director of the International Center for Emerging Markets Research at RUDN University, Vladimir Matyushok, as well as Svetlana Balashova and Andrey Berezin, who are extraordinary and insuperably colleagues and friends. Without their support and experience, this book would not exist. I express my gratitude to the Vice-Rector of RUDN University, Nur Kirabaev, and Dean Yuriy Moseikin who actively supported the idea of establishing the center and presented it at Harvard University in April 2017.

I am also profoundly grateful to all chapter contributors, Emerald Group Publishing, particularly Charlotte Maiorana and Nick Wolterman, who gave passionate support, editorial help, and keen insights right from the book proposal to the final manuscript and the excellent production process. I express my thanks to Mohana, the copy-editors, and the proofreaders for the excellent and diligent job they have done during the last steps of the publishing process. Thanks to everyone who made this book possible.

Bruno S. Sergi

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Preface

The emerging market economies' booming and fast-developing local consumer markets, abundant low-cost labor, and rising middle class have been the significant characteristics of the world economy. They showcase some of the most appealing economic growth stories since the end of World War II, and we have noticed the shift in wealth from developed economies to emerging markets. According to national data, advanced economies accounted for an average of over 59% of world GDP (at purchasing power parity) from 1980 to 2007, while the combined share of developing and emerging economies was 41%. Since 2007, this share has been wholly reversed, and the emerging and developing nations now account for 59.25% of the world's GDP. This fact has naturally attracted much attention. However, upon closer examination, scholars find that the landscape is fraught with an ongoing slowdown across some of the world's major emerging markets and complex social, economic, and financial systemic risks. Russia is one of these countries that paradoxically exhibit enormous potential. With a remarkable GDP growth rate during the 2000s, Russia has changed, but not enough to compete regarding smart industrialization and modernization, which are still a long way off. Considering these realities, I intended to produce an analysis of the challenging issues faced by Russia and its people in a perspective of sustainable growth, suggesting issues, analysis, and ways of solving these challenges. However, let me kick off with a simple question. What is Russia? This vast country, the world's largest one, no doubt rich in natural resources, straddling Europe, Asia, the Pacific and the Arctic oceans, a fantastic landscape, and history, it is home to economic and industrial markets that can become of immense scale. Russia is an essential, critical player in an unprecedentedly complex global economy. It has yet to exploit its unique position within this brave new world fully. That is, Russia is a relevant country to explore during such groundbreaking and critical times. As the sheer scale of Russia and cultural position between the booming Asian region and western Europe, Russia is a case essential and unique. Therefore, I wanted to produce a book that is a first serious attempt to deal with the economic potentiality Russia has, and the extraordinary range of chapters forms a coherent read.

Exploring the Future of Russia's Economy and Markets offers the first serious study of Russia's contemporary economic growth and economic aptitude. A full spectrum of financial, banking, and technology innovation have developed, and we can expect that more changes and innovations will shape Russia, and more disruptive financial technologies will come in soon. Endeavoring to bring all these perspective in one single volume was my primary goal. Moreover, as a current associate of the Harvard's Davis Center for Russian and Eurasian Studies, having the first international meeting of the International Center for Emerging Markets Research held at Harvard could be the ideal venue. Based on the April

2017 conference “‘New Reality’ and Russian Markets” that was held at Harvard University and co-hosted by Harvard Davis Center for Russian and Eurasian Studies and RUDN University, Moscow, it brings together world-renowned thinkers to offer the latest empirical research on financial risks and stability, fintech, industrial policies and technological parks, TNCs, the oil and natural gas industry, and the impact of international sanctions on Russia’s sustainable development. Cumulatively, the chapters I gathered here to demand that Russia looks for alternative drivers to get its economy going. The distinguished colleagues and economists here offer flexible bases for economic and financial stability that would foster sustainable economic development for Russia.

Although the continuing western sanctions, Russia has enormous economic potentialities. In this context, I wanted to look at the case of how Russia is now doing to create employment, development, and prosperity. Russia has the tenth largest population in the world, of 144 million people, unemployment has been around the 7.6% mark from 1993 until 2017, and it is less than 5% at the time of writing this preface. It does not have now a booming market economy like other emerging markets do, although its primary source of growth in the last few years, i.e., during the first two terms of President Vladimir Putin’s presidency, has been the oil and gas industry. Nevertheless, it needs to find alternative sources to be able to make rapid progress in the changing landscape of the global economy.

This edited volume aims to highlight the economic impact these new realities are having on the Russian economy and how it will help Russia to shift its dependence from its natural resources of oil and natural gas to other critical factors, such as IT, innovation and technological projects. If in the past, Russia has been heavily reliant on oil and natural gas revenues, which had been the core of the economy, however, an ever-changing situation demands that Russia look for alternative means to get its economy going instead of relying on oil and natural gas as it has been doing over the past several years. I think to cope with external sanctions, Russia is moving towards a greener economy based on the concept of preservation of natural resources and development of innovations. Even though Russia has been a relevant crude oil producer for the past 130 years, oil production has spurred economic growth for the country during the 2000s and affected Russia’s overall international influence. However, Russia’s natural resources did not turn out to be a permanent bonanza for Moscow because of price fluctuations. Russia is experiencing a significant change on the way to the sustainable development path with greater welfare conditions for the Russians. Importantly, perspectives are much different today because Russia is a world player, giving the country an unrivaled stake.

The volume is the product of a conference that has been taken place at Harvard University’s Davis Center for Russian Studies on April 10, 2017, center to whom I am an associate since 2013, and organized by the International Center for Emerging Markets Research at RUDN University, Moscow. Having in mind graduate students, researchers, and professionals alike, this book catalyzes cutting-edge research and rigorous conceptual and empirical chapters,

presenting in-depth and yet digestible way for the students and professionals. The volume is committed to innovating the literature panorama and remain committed to broadening the knowledge about Russia and explore the intellectual answers to the problems in the functioning of the present-day Russian market and institutions. It explores the subjects of contemporary trends in Russian economic performance as well toward financial stability.

All in all, *Exploring the Future of Russia's Economy and Markets* examines Russia's promises and realities from both a theoretical and empirical perspective. Grounded in state-of-the-art and comprehensive coverage, all contributors present theoretical and econometric analysis of past and current trends, provide up-to-date technical portrayals on the economic challenges including the dynamics and prospects of Russia's economics. Moreover, with an added endeavor of disentangling and breaking the markets down to see what the resulting outcomes, directions, and strategies would be. Although each chapter will be a stand-alone piece of analysis, the entire volume communicates new insights to students who are interested in the Russian economic experiment and eventually concerned with its policy and applications. The book is very comprehensive and offers a friendly reading style. The chapters provide definitive new insights into the evolving Russia's economics that was the central theme of the conference held at Harvard. The distinguished economists have been able to articulate rock-solid economic thoughts and methodologies that would help understand how Russia might take full advantage of its position within the world economy and foster its sustainable economic development. I very much hope that *Exploring the Future of Russia's Economy and Markets* may shape future lines of inquiry on the causal factors and limits of economic policy in Russia and for its original insights into frontier topics, the book is exceptionally worth to read and likely to stimulate analysis for economists and policymakers.

Bruno S. Sergi