

Chapter 11

Russia: Ambitions and Ammunitions in Global Economic Competitiveness

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ABSTRACT

After the dissolution of the U.S.S.R., Russia is repositioning itself as a major political-economic actor in the Eurasian geo-region. These aspirations are commensurable with Russian history, geography, and rich mineral resource base, specifically energy. To a large extent, Russia's resurgence has been propelled by extraordinary reliance on oil and gas buttressed by high global energy prices. Russia's political-economic ambitions, posturing, and recent improvements are found in stark contrast with its mediocre ratings in social and environmental performance. The study explores strategic attractiveness, cost, and risk of doing business, and reveals that Russia trails Germany and U.S.A., key aspirational comparators, in critical global competitiveness rankings. It also lags behind China, a major comparator. Under high energy prices, Russia appears capable of maintaining a certain degree of global competitiveness and improvements, although tempered by growing politic-economic strategic ambitions. The study calls for reforms and strategic improvements in developing human capital and innovations toward sustainable global competitiveness.

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INTRODUCTION

To live is good, but to live well - is even better!

(Кавказская пленница, 1967)

Globalization has been proliferating post-World War II. In the 1980s-1990s it's been accelerated by the demise of communism, dissolution of the U.S.S.R. and political-economic liberalization around the world. Under these trends and dynamics Russia has been in the process of redefining its place and role in the increasingly interdependent and competitive world. In the retrospect, the patterns of growth and development in Russia are intertwined and commensurable with the nation's long history, political-economic and cultural tradition. Its strengths include high economic potential based on sheer mineral wealth and rich human capital. To some extent Russia still continues capitalizing on some aspects of the historically not so distant Soviet legacy. Meanwhile, in the progressively integrated, competitive, and dynamic global political-economic environment nothing is given or should be taken for granted: individuals, companies, industries, cities, regions, nations and other entities have to reinvent themselves if they were to stay competitive and grow relative to their counterparts. Along the way, these dynamics for Russia translate into setting and aligning its geo-regional, political, strategic ambitions with "ammunitions," e.g. with economic potential, resources and strategic levers available at this current stage and in the future to predetermine Russia's geo-regional status and role in the coming years.

The chapter begins by profiling the big picture of the Russian political-economic landscape in the retrospect. It discusses main drivers shaping Russia's strategic role in the Eurasian region and explores the roots and trends defining its aspirations for geo-regional supremacy. This analysis encompasses a range of geographic, demographic, historical, political, economic and other factors. It involves comparisons characterizing Russia's standing in the global rankings. Russia's rankings are contrasted with some comparator countries such as China, Brazil, and Portugal¹, and the world's leading nations such as United States and Germany, Russia's aspirational benchmarks.

Obviously, each country, and Russia is not an exception, is unique and inimitable. But a benchmarking approach, especially taken on the basis of a common denominator such as per capita indicators, allows for the methodologically sound comparisons that are justified and illustrative. By and large, the analysis points out that Russia's competitive strengths lie in its absolute political-economic advantages amplified by sheer mineral wealth. In particular, Russian exports of oil, gas, basic metals, and chemicals approximately comprise an astounding 80% of its export earnings. The nation generates around half of the federal budget from oil and gas exports.

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