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before the entering into the WTO**

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Russian Federation: the specific features of the national economic system before the entering into the WTO¹

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Summary:

We investigated the economy of Russia as a participant of the BRIC. We demonstrated the specific features and resources of the national economic system, which can form a new actor of the world economy with the resources of the BRIC in order to participate in establishing a new fair world order. We also presented the analysis of the Russian economy development and clarified the key points of the market transformation process. We investigated all elements (subsystems) of the national economic system during the period from the disintegration of the USSR till the present moment – before the entering into the WTO.

Keywords: transformation, market model, Russian economy, the world economy, migration challenges, external relations.

Ruská federace: specifické rysy národního hospodářství před vstupem do WTO¹

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Abstrakt:

Tento článek je zaměřen na Rusko jako součást uskupení BRIC. Cílí na vymezení specifických rysů a zdrojů národního hospodářství, které mají vliv na formování nového hráče světové ekonomiky, který může přispět ke spravedlivějšímu světovému uspořádání. Druhá část článku je zaměřená na ekonomickou transformaci Ruska v návaznosti na desintegrační proces bývalého SSSR.

Keywords: transformace, tržní model, ruská ekonomika, světová ekonomika, migrační výzvy, vnější vztahy

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Introduction

The problems of economic growth and especially the problems of a new quality of economic growth are the subject of many studies. The growth is the process of changes in elements of the system that cause its transition from one stage to another. The economic growth is a criterion of the development of the national economic system, which is determined by a variety of factors (qualitative and quantitative). There are several strategies for economic growth, one of which is called transformation. Economic transformation is a complex socio-economic phenomenon, in which it is not easy to identify clear links between factors and outcomes. The problem of social and economic transformation comes down to what changes in the system should be made to get out on the path of economic growth. Each country implements its economic strategy.

BRIC countries, which claim to regional leadership, are the largest transformational economy. As a model of their economic growth the strategy of systemic changes was chosen (ALAYBA). Despite mixed reviews, the experience of these countries, in particular Russia, in achieving the benefits of growth of the economy and the prospects of cooperation will be useful to other countries for ensuring a new quality of economic growth of national systems. We'd like to review the main historical pages since 1990 when the reforms after disintegration of the USSR started till the current period before the entering into the WTO.

The Russian economic reforms are difficult to divide into periods because the financial stabilization and liberalization took place in different periods of time. According to Alayba T. (Alayba 2008: 135-137), Maltsev Al. (Maltsev Al. 2010: 175-178) the period under the review (from the USSR disintegration up to the present time) is divided into three steps: approximately the reforms can be divided into three periods: the first period – 1992-1998, the second (post-crisis) – 1999-2002, the third (returning to the export of raw materials model) – 2002-2003. The formation of the Russian banking system is also divided into several periods: the first one (1992-1994) – the formation of market segments, the second (1995) – the development of the currency and interbanking credit markets, the third (1996-1997) – the stabilization of the banking system, the development of the financial market, the forth (1997-1999) – the world economic crisis and its overcoming, the fifth - since 2000 up to now (Yarigina 2006: 207).

The database on Russian can be used for the comparative analysis of reform strategies of other national economies.

The analysis of the problems of the development of market relations in Russia in the late XX - early XXI century must take into account the growing involvement of the country in the global economic system. The degree of the involvement of Russia into the world economy is most acute in entering into the WTO.

The five key objectives of this research are to:

- present the experience of the transformation of the national economic system from the administrative model to the market one;
- analyze the factors of economic development during the period of transformation;
- show the place of Russia in the international labor division before entering into the WTO;
- discover spheres of mutual collaboration for increasing of the turnover and strengthening national economic systems of the BRIC participants.
- show the importance of the international migration process in labor division and adaptation of migrants to the host country.

1. The main stages of socio-economic transformation of Russia

1.1 Russian Federation after disintegration of the USSR: first steps on the path to a market economy

At the beginning of 1990s Russia should choose the way of its economic development. «Belovezha» agreements on the Soviet Union dissolution on 8 December, 1991 legislatively issued the processes of economic, political and socio-cultural separation of the former Soviet republics from the Russian Federation. It has to be ascertained that despite the success in the post-war restoration and the economic establishing of the first peaceful decades, Russia “missed” a transition to the postindustrial development stage. At the turn of the 1970s and 1980s instead of the modernization rise, the country began to roll down to the “demodernization” precipice resulted in the USSR disintegration, one of the greatest geo-economics disaster of XX century. The country lost a quarter of the historical territory, a half of the human capital, 80 % of the industrial potential within the only decade of reforms (table 1).

Table 1: Macroeconomic Affect of the USSR Disintegration

Index	1990/USSR	1992/RF	2007/RF
Territory, mln km	22,4	17,1	17,1
Population, mln people	290,9	148,7	142,0
GDP, bln \$	2659,5	460,2	1291,0
Gross Industrial Production / GIP, bln \$	1000,0	197,9	504,8
GDP per capita, th \$	9,2	3,1	9,1
Share in the world's population, %	5.5	2.7	2.1
Share in the world's GDP, %	13.1	1.9	2.4
Share in the world's GIP, %	12.9	2.5	3.3
Share in the world's export, %	3.1	1.1	2.5
Share in the world's import, %	3.3	0.9	1.6

Source: RSY 2002: 36; Ibid., 2010: 31, Maltsev 2010: 377.

As we've already highlighted the period under review is divided into three steps. The first period is from 1992 till 1998. The main feature of the Russian strategy of market transformation was the immediate refusal of the government from economical regulation. The key points of that strategy consisted in immediate cessation of the price control; the quick privatization of enterprises and elimination of the remaining elements of governmental running of enterprise activities; sharp decrease of social expenditures; tough monetary policy; the fast elimination of barriers to the cross-border movement of goods and capital. The transition to a market economy was accompanied by a mechanical transfer to the Russian base orders, forms and methods of economic organization, existing in countries with the long-established capitalist system. All these actions were to facilitate the rapid replacement of central planning with an efficient market system. Russia quickly complied with those conditions. The only deviation from the neo-liberal policy was keeping domestic prices for oil and gas, as well as the regulation of exports.

Despite the different approaches to reforms all countries (Russia, India and China) had a common goal - human development, raising living standards. The purpose of economic reforms in Russia in the first phase was the destruction of the old system (in comparison to China and India - the reform of the system). Russian reformers made a choice in the direction of shock therapy transition to a market economy, while China and India - gradual reforms. The model of transformation called a shock therapy, in fact characterized by the following (Alyaba 2008: 77-80):

- General philosophy: simultaneous reforming of all sectors of the economy, hard scrapping of all elements of the planned economy, i.e. the neo-liberal conception.
- Real economic policy was aimed at developing export-oriented industries, the rest were after privatization on the decline.
- The price reform occurred as a simultaneous release prices.

- The reform of the state ownership: a comprehensive privatization led to increased monopolization in the country.
- Sources of funding and financial policy: the observed capital flight, there was a sharp decline in investment Russia's refusal from the macroeconomic regulation led to major variations in the currency market, which led to a financial crisis in 1998; foreign exchange market was relatively weakly developed; there was hyperinflation in the period of 1992-1994.
- The foreign policy: trade liberalization within a few months of 1992; the poor usage of import tariffs; the deterioration of the structure of exports - from manufacturing to a resource one; the thousand-fold devaluation of the ruble against the dollar for the period of 1992-1996.

The results of this are well known: from 1991 till 1998 Russia experienced the most brutal and prolonged recession that has ever been in peacetime in modern history of a country (the GDP rate fell by 46%, the total investment - 81%). The result of the reform was the decline in production, falling living standards, increasing social stratification. The average annual growth in GDP during the reform years were 2.7%. In 1998 there was a devastating financial crisis when Russia was forced to default on its domestic debt, and that caused 71% nominal and 65% real devaluation of the ruble against the dollar. The inconsistent economic policies carried out in 1992-1994, led to inflation, impoverishment of the population, the general discontent of the reforms. The investment capital is characterized by instability and a tendency for the suffering the most developing innovative companies. Against the background of intensified competition in the global market whole branches of the national economy lost viability (Alyaba 2008: 38-48).

But despite the technological backwardness of Russia, the country retained a number of competitive advantages which with proper policy would successfully developed further. Those advantages as a rich natural resource potential, the advantageous geographical position, the capacious domestic market, the educated and competent staff, capable to highly productive labor, available scientific and industrial potential in a number of promising sectors of the economy.

Here the key role belongs to the mineral resources sector of the Russian economy. The following can be referred to the key features (1992-1998) (Maltsev Al. 2010: 180-182):

- firstly, the decrease in the output volume of the mineral core categories caused by “dismantling” of the USSR united economic complex and severance of the established relations between the former union republics and members of the Council for Mutual Economic Assistance;
- secondly, the destruction of the debugged structure of the mineral resources sector management and the accession of the market fundamentalism dominant, which turned into the state’s loss of the command positions in the key industries;

- thirdly, the internal economy's deindustrialization that grabbed the mineral resources sector as well;
- fourthly, the repartition of the USSR mineral resources' heritage in the victorious West favour in the presence of the preservation of the Post-Soviet economic space backing;
- fifthly, the reorientation of the extractive sector to foreign markets and the transition of the whole Russian economy to the export of mineral resources development way. Let's consider the given phenomena.

With the USSR disintegration the Russian Federation lost its unique position in respect of the mineral resources supply. As a result, by the end of the 1990s its own resource base had provided the Russian manufacture with only 41 % of the primary aluminum and lead, 58% of the tin, 60% of the zinc, 69% of the copper, and the strategic titanium ore was not extracted at all; in these circumstances by 1998 Russia had appeared in the list of the countries that imported mineral resources: the second place in the world in importing chromic ores (16.9% of the world's activities) and alumina (13.6%), the third in importing manganese (6.4%) (Maltsev Al. 2010: 181-182), while the USSR had been a unique state to be completely provided with the mineral resources "sovereignty".

As for the banking system, its formation also took several steps. Before the transition to the market economy in Russia there was one-level banking system where the central element was a state bank. At the beginning of the restructuring process in 1987 the transformation of the national banking system of the former USSR began.

The most important normative acts in this area (governing private and state banks) were adopted in 1990-1993, when the banking system worked in conditions of instability. For example, in 1990 the state budget deficit of the USSR amounted to 59 billion rubles which had a negative impact on the structure of credit investments. The general conclusion from the analysis of the banking system of Russia during the reforms is as follows (Yarigina 2006: 190): during the beginning of structural reforms there was no platform for high-quality guaranteeing of new needs of business entities and the role of the banking system was negligible. One more peculiarity of the banking system in the years of reconstruction was undeveloped system of banking products and services (limited to certain types of loans, many well-known financial instruments were not used). The main borrowers were state-owned enterprises, state farms, and the proportion of credits for individuals was modest. The national payment system was not developed

In 1987 the process of decentralization of the banking system already began and five specialized banks including Vneshekonombank of the USSR were created, from 1987 till 1990 private banks were formed. So, at the beginning of the third millennium the process of forming two-level banking system began. The new

forms of customer service emerged. In parallel with the new banking system in the country other market structures, including the Exchange, were actively developed. In 1991 in Russia there were 800 banks and in 2000 - 1349. This was facilitated by the development of regulatory frameworks: in 1991 a law "On Banks and Banking Activity" was adopted (Yarigina 2006:195, 203). Briefly the main results of the formation of the banking system are the following: the elimination of the state monopoly for banking activity, the transition to the formation of two-level banking system, the decentralization of the management of the banking system, the corporatization of the bank capital, the commercialization of banking, changes in the market structures related with the banking system.

Also, since 1986, there was an impulse for the development of the Russian foreign exchange market when the currency monopoly of the state was destroyed. In 1989 the foreign exchange market of the USSR was recognized by the international community: hard currency auctions of Vnesheconombank started working. The RF Law "On Currency Regulation and Currency Control" (November 1992) opened a new phase of the foreign exchange regulation. In April 1992, Russia joined the IMF. The spot currency market as one of the segments of the financial and credit relations of Russia began to function officially in 1992. Its regulatory framework is the Presidential Decree "On liberalization of foreign trade activities" (15.10.1991). The influx of foreign cash into Russia peaked in 1997 when it was imported 43.2 billion dollars. In 1998 due to the financial crisis, it fell by 2.1 times. "Dollarization of the economy" became the considerable extent. The crisis of 1998 caused severe blow to the OTC market: the total volume of cash transactions to \$ 13 billion in 1998 fell to 21.6 times. In 1993 in Russia there was a market of forward transactions and the most significant extent it achieved in 1994. In July of 1992 in Russia a floating exchange rate of the ruble was introduced. A national futures market emerged. The first operation in futures currency contracts were held at the Moscow Commodity Exchange in October 1992, from September - in the MICEX. In 1990 the portfolio investments were allowed, during the period of liberalization of the Russian economy the stock market was developed (Table 2).

Table 2: Turnover on transactions in the Russian stock market (billion dollars).

1995	1996	1997	1998	1999	2000	2001
0,2	3,5	16,64	11,7	5,9	23,5	29,07

Source: (Yarigina 2006: 207, 216)

The financial crisis had a negative impact on the operations of Russian banks, decreased transaction volumes. But in 1999 the Russian financial market began to recover its position and by 2001 the average daily turnover of the Russian currency futures market was \$ 5 million, and forward - \$ 10 million. In addition

to the MICEX², in 2000 in Russia eight currency exchanges operated (Yarigina 2006: 210-211). During this period the interaction of Russia with the international financial institutions began. In 2001 the debate on Russia's accession to the WTO started.

By the beginning of the Third Millennium in Russia the economic recovery began. Since 1999 there was a rise in the Russian economy.

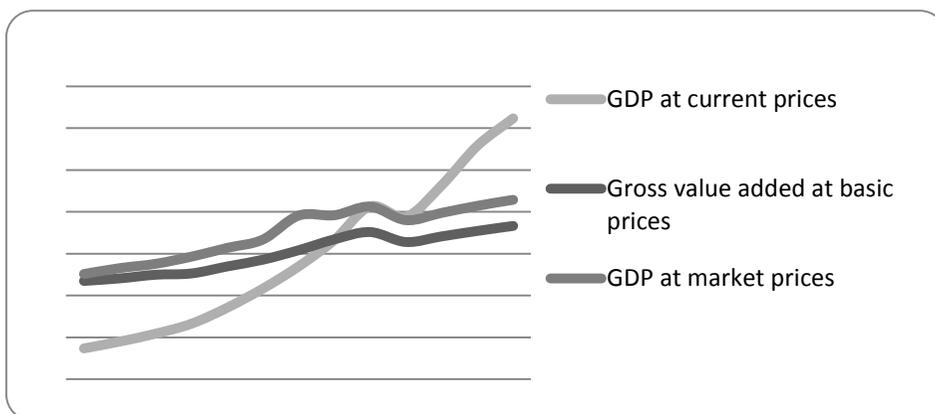
1.2 General description of the Russian economy during the first decade of the 3-rd Millennium

In general, the period of Russia's economic development from 1999 up to the present time is characterized by ups and downs. The complex characteristic is shown in Fig. 1

Before the financial crisis in 2008, all indicators had an upward trend, although the rate of the growth of manufacturing industries (excluding ferrous metallurgy) significantly lagged behind the growth of the economy as a whole (Fig. 2).

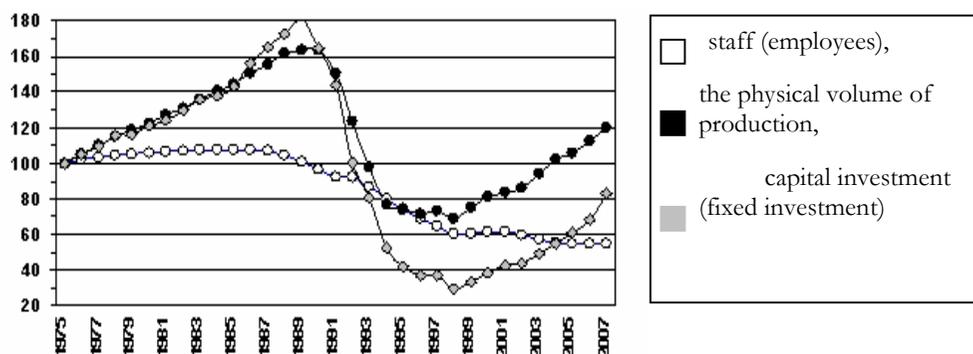
² MICEX – Moscow Interbank Currency Exchange

Figure 1: Major indicators of the Russian industry in % by 1975



Source: Trevish 2009: 57

Figure 2: Gross domestic product (at current prices, billion rubles)



Source: According to the table: Russia in figures (2010): Table 12.1 «Production of GDP»; Ibid (2012).

In 2007 the volume of shipped goods of total industrial production and implemented work and services reached more than 20 trillion rubles, of which manufacturing - more than 1 trillion rubles. In the industry 21% of the economically active population was employed, including 17% - in manufacturing; in 2002-2007 the share of the industrial activity was 36-40% of the turnover of organizations in the country, the manufacturing industry accounted for 2/3 of the cost of industrial goods and services (Mironova 2009: 181). The same trend characterizes the rate of labor productivity (table 3)

Table: 3 Labor productivity (in % to previous year)

Lab. productivity	2003	2004	2005	2006	2007	2008*	2009*
In the economy as a whole, total	107.0	106.5	105.5	107.5	107.5	104.8	95.9
Including: mining	109,2	107,3	106,3	103,3	103,1	100,9	108,5
Manufacturing	108.8	109.8	106.0	108.5	108.4	102.6	95.9

Source: Federal State Statistics Service: Dinamika proizvoditelnosti truda (labor productivity) (*The update data due to revision of GDP)

1.3 Peculiarities of the post-crisis period

The second period of the economic reforms in Russia is a post-crisis one in 1999 - 2002. It is one of the most successful, not only for the years of reforms, but rather the entire postwar history (table 4).

Table 4: The index of industrial production of the Russian Federation (in % over previous year)

Years	1998	1999	2000	2001	2002
Russian Federation	95.2	108.9	108.7	102.9	103.1

Source: Federal State Statistics Service: The index of industrial production on the subjects of the Russian Federation

For four years GDP increased by 26%, manufacturing - 35%, the final consumption of households - 25%, investments in fixed assets - 3%. But this step was heterogeneous and there were two substeps in 1999-2000 and 2001 – 2002 (Alayba 2008 : 136-137).

The subperiod of 1999-2000 is characterized by the super-high growth rates, industrial production (11-12% a year) and efficiency. This rise was caused by the complex of interrelated changes in the Russian economy:

- The high dynamics of the economic growth was determined by the presence in the Russian economy the scale reserves that would increase production without substantial capital expenditures.
- The deployment of output with the use of unoccupied capacities and excess labor increased the efficiency of production: labor productivity increased on average by 8.6% per year, energy - by 4,3%.

With regard to labor forces, at the overall declining trend, the clerical personnel in industry have doubled since 1995. Together with employees in the sphere of production, their share rose from 21% in 1980 to 37% in 2004.

In 2000, Russia's economy showed stable growth rates. During that period, all key macroeconomic indicators were improved: GDP grew by more than 6% on average per year, inflation fell to 10% (although it remained high), incomes and businesses increased, investment grew (Rodionova 2009: 177). The economic growth at that stage is called the "recovery".

However, this period was not homogeneous: if the first subperiod (1999-2000) was characterized by high growth rates and industrial production, the second subperiod (2001-2002) was characterized by slowing growth to 4-5% per year on average. Slowing is determined by the following reasons (Alyaba 2008: 136):

- The exhaustion of reserves on which the rise was based in 1999-2000. By the end of 2001 the proportion of free competitive capacities decreased to 10-15% and the excess of labor force in enterprises – up to 4-5%.
- The excessive real exchange rate to a critical level (70-75% of the level of July 1998), for which the price protection of the domestic market is no longer compensates the lack of competitiveness of Russian producers. The intensive growth of imports started: in 2001 it was 19% with the increase in domestic demand to 12.6%.

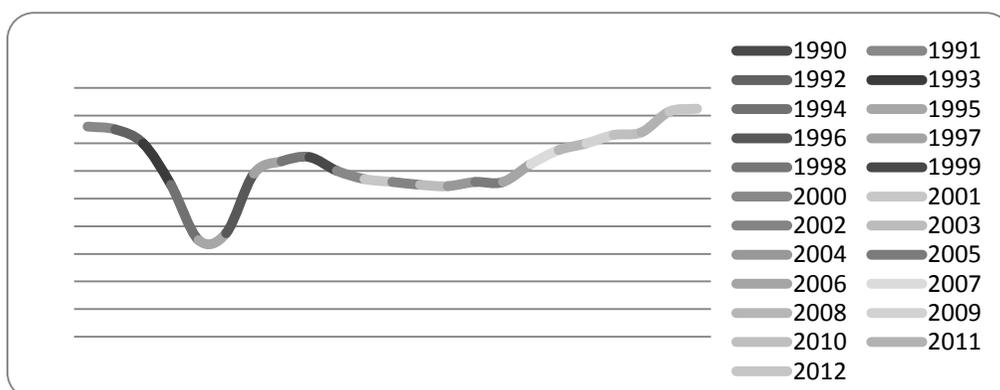
1.4 The third period of reforms

The third reform period (2002-2003) is the return period to export of raw materials model of development. The exhaustion of the reserves of the post-crisis recovery and worsening fundamental disbalances led to a deterioration of quality of economic growth in 2002(Alyaba 2008: 137):

- The economic growth based largely on an accelerated increase in commodity exports and trade. Due to those factors, it had received 55% of GDP growth.
- The expansion of consumer imports seriously weakened the role of consumption as a factor in economical recovery, despite the advanced (compared to GDP) increase of consumer spending, while at the same time, accelerated increases in real wages led to increased production costs and falling profitability.
- Nonfinancial corporations moved to an active policy of borrowing on the international market which stimulated the strengthening of the ruble against the dollar and low interest rates on world markets.

But the main achievement of this period was the increase in life expectancy (fig. 3).

Figure 3: Life expectancy in Russia in 1990 – 2012



Source: Russia in figures (2010): Table 5.8. Life expectancy at birth

Decline in real incomes and the over-differentiation are the two main tendencies in changing the living standards of citizens of Russia since the early 1990's of XX century up to the present. According to the State Statistics Committee of Russia (fig. 7) the share of the poor of the population of Russia was in 1992 – 33.3%, in 1993 – 31.5%, in 1994 - 22.4% in 1995 – 24.7%, in 1996 – 22,1%, in 1997 – 20,8%, in 1998 – 23,4%, in 1999 – 29,9%, in 2000 – 30%. In 2002, the proportion of the poor of the population of Russia fell to 25% (35,8 million of people). Higher poverty³ rates up to 30% and higher were observed in 1992-1993 and 1999 related to liberalization of prices in the early 1990's and the default in 1998. High rates of poverty in 2000 are explained by changes in methods of calculating the subsistence minimum. If you count the rate in 2000 in the old methodology, using from 1992 to 1999, the poverty in 2000 would have been only 24%.

High levels of poverty (1990 and 2000) is associated with price liberalization in early 1990, and 1998's default (in addition, since 2000 the method of calculation has changed). Since 2006 this level has been reduced: 15. 2% in 2006, 13.3% in 2007, 13.4% in 2008 and 13.2% in 2009.

1.5 Russian economy at the current stage of economic reforms

The end of the first decade of the third millennium (2008-2010) there was a period of world crisis and years after world crisis.

Until mid-2008 due to record export revenues and intensive expansion of the bank credit, Russia's economy has developed rapidly. The second half of 2008, growing global crisis had a negative impact on the economic development in Russia: GDP growth slowed sequentially from 8.5% in I quarter, 7.5% - in the II,

³ The poverty rate is the amount of income providing a living wage.

6,2% - in III, and 1.1 % - in the IV quarter. The most significant decline in growth occurred in construction, transportation, and industrial production.

The drop in demand for the products in the domestic and foreign markets, reducing the availability of credit resources forced domestic producers to cut production and sales volumes and in some cases even to stop production.

Overall, in 2008 the total number of unemployed was 4.8 million increasing at 4.3% compared with 2007. During January-December 2008 the inflation at the consumer market was 13.3%, exceeding the same indicator for the last five years. In January-April 2009, the foreign trade turnover of Russia amounted to 124.3 billion dollars, compared to January-April 2008 decreased by 45.3% (according to the Federal Customs Service of Russia). The development of the Russian economy in the current period is the same uniformity (Table 5).

Table 5: Major current economic and social indicators

		2012	2012 (% by 2011)	2011 (% by 2010)
GDP	Bln rubles	62356,9	103.4	104.3
Index of production	-	-	102.6	104.7
Capital investments	Bln rubles	12279,0	106.7	108.3
Foreign trade turnover	Bln dollars, US	784,7	102.7	131.8
Real money incomes of population	-	-	104.2	100.4

Source: Federal State Statistics Service: Socio-economic position of Russia (Sotsialno-ekonomicheskoe polozhenie Rossii)

Thus, the locomotive of growth was primarily manufacturing sectors, investments in fixed assets and foreign trade turnover continued to increase. The gradual global economic recovery and improving terms of trade contributed to the increase of Russian exports, increased cost of imports is due to the growth of Russian economy, the growth of real disposable income of population, real appreciation of the Russian currency.

In the first quarter of 2011 intensive consultations on Russia's accession to the WTO were held. In examined (the present) period, priority was given to ensure the rational, based on the comparative advantages of the specialization of Russia in the global economy, creating conditions for diversification of exports and investment, strengthening the competitive position of Russian companies in the world market. This work was done on the basis of key strategic, sectoral and geographical priorities of the foreign policy of Russia, laid down in the Guidelines for Foreign Affairs of the Russian Federation until 2020.

2. Strategy for further development

Russia is in the process of transition to a postindustrial society (the share of services and high-tech industries in GDP has consistently increased, although their structure and contents are mixed.), i.e. processes of transformation that began in the late twentieth century have continued but their specific character is changing. Today the mechanism of the growth of Russian economy, built on the simple export-oriented resource model has been formed.

To escape from the dependence on raw materials it is necessary for Russia to expand its comparative advantages which are now mostly associated with macroeconomic stability and rich natural resources. Major areas to stimulate economic growth must be linked to (Alayba 2010: 84, 108-109):

- Reorientation of the development of export-oriented raw material sector to the development of manufacturing and processes of import substitution (as there is significant potential for its own markets of the Russian economy).
- Creating incentives for more active innovation at the enterprise level.
- The intensification of the processes of creation and dissemination of new knowledge, activation of investment in human capital.

The strategy of the socio-economic development of Russia until 2020 provides the transition of the Russian economy with the inertial energy and raw materials trend for the development of innovations.

The main targets of the strategy were defined as follows: "Russia's return to one of the world's technological leaders, a fourfold increase in productivity in key sectors of the economy, increasing the share of the middle class up to 60-70% of the population, increased life expectancy to 75 years" (Glazyev 2008: 1). Here (in this paper) the basic factors of their achievements have been named: investments in human capital, the rise of education, science and public health, the national innovation system, modernization of the economy, reconstruction and expansion of infrastructure, development of the natural advantages and new competitive sectors in the high-tech sectors of economy of knowledge. For example, one of the key indicators - high-tech products export in Russia must grow at 15-20% annually and in 2020 reach the level of 80-100 billion dollars (about 1% of the world market, compared with 0.2% in the present time), while high-tech products in GDP should reach 17-20% (Ibid, p. 6).

Today in Russia the development the new technological order is hampered by lack of appropriate technology and unavailability of socio-economic environment. However, according to Glazyev, "the main technological trajectories of growth have already been formed (Glazyev 2009: 1)

According to the innovative option (scenario) of the development the branch structure of the economy varies very much: for example, the share of the oil and

gas sector decreased from 20% to 12%. However, according to A. Maltsev, dramatic reducing of the share of the primary sector as a whole is not necessary (not advisable), it requires a balanced co-development sectors of the Russian economy.

If you pay attention to the near-term, then by 2011-2013 the Ministry of Economic Development of Russia offered a moderately optimistic scenario of the development according to which the growth in real wages will be comparable to the rate of productivity growth, GDP growth is projected at 3,0-4,5% (Forecast of socio- economic development of Russia 2010)

Despite the presence in Russia the growth factors, its position is not indisputable. In the critical years, the country suffered huge losses, so it is crucial to modernize the economy (changes in line with the latest regulations and standards, today's requirements). It applies to all spheres of activities and sectors of the economy, so it is global. First of all, the modernization involves the creation of high-tech industry. But, according to Russian President D. Medvedev, it is not simply a transition to an innovation economy, it will modernize Russia as a whole. Therefore, among the main goals of modernization, we select not only a technological breakthrough, but also the improvement of living standards and overcoming of institutional and structural barriers, increasing transparency and efficiency of business.

The first success of modernization depends on the participation of the middle class population. It is in Russia today, 20-22% of the total population and is characterized by the following indicators: an average income of about 12 000 rub., young age, with a good level of education, most are engaged in business (according to optimistic forecasts the proportion of the middle class will rise to 50%). (Middle class 2010).

The analysis of key performance indicators of individual entrepreneurs shows the following (table 6).

Table 6: Small business

	1999	2000	2001	2009	2011
Number of small businesses (thousand units)	868,0	890,6	879,3	1602,5	1836,4
Average number of employees, thousand people	6485,8	6596,8	6483,5	11192,9	11480,5
Revenues (bln rubles) ОБОПОТ	423,7	613,7	852,7	22546,4	22617,1

Source: (RSY 2002: 318 – table 13.5-13.6; RSY 2010: 367 – table 12.6-12.7); RSY 2012: table 12.8; RSY 2012: 366 – table 12.6-12.7).

Investment activity is insufficient to modernization either. For example, today there are only 108 venture capital funds which are not many for such a scale as Russia.

So, despite some improvements, the investment climate in Russia is still characterized by the great instability, as well as trends in which the most dynamic and innovative company more likely suffer. A new quality of economic growth suggests the predominance of the structure of growth factors such as STR, investments in human capital, information and high technologies. Such a strategy best suits the ambitions of Russia as a traditional scientific state and is closely linked to the intensive type of economic growth.

3. Mineral resources economy and the Manufacturing process in Russia

Let's begin with the strengthening of the "raw dependent" character of the Russian economy. In the Russian context it was especially showed in the increasing share of the mineral resources sector in gross industrial output. Thus, for 1998-2007 the specific gravity of the mineral resources sector production in the gross domestic product of the Russian Federation increased from 13,1 up to 21,7% (Table 5). As a result, by 2007 Russia had excelled the best Soviet index in mineral commodity production. However, if in 1990 the Soviet Union (with its \$109 bln) took the first place in the global mineral resources sector, having the U.S. mining sector overtaken (\$103,1 bln), in 2007 the similar Russian result was almost three times conceded to the American use (\$275,8 bln). In the export the "raw material" orientation of inferior Russian economy is seen significantly stronger. In 2007 in the total export of goods the mineral resources and metals accounted 79,3%. We can also note that the Russian manufacturing sector, in the conditions of globalization, unfortunately, couldn't recover the broken proportions not only in quality (the labor productivity level in 1994 equaled 29,1 % to the total in the mineral resources sector, in 2007 - 32,7 %), but also in the amount (equal volumes of investments into mining operations and manufacturing industry). In addition to this, 6,5 million of workers were out of the sector.

In the prevailing macroeconomic realities the mineral resources sector turned to the financial budgetary system in the Russian Federation. There were some main factors that led to such a significant increase of the mineral resources role in the structure of state tax incomes. They were: the correlation of export duties on oil to the world prices since 1999; the replacement of fee for using payments for the reproduction of mineral resources base by the mining tax in 2002, which also correlated with the world prices, with the centralization of the paying that tax (at the beginning – by 80%, since 2004 – by 92%, since 2005 – by 95%) into the federal budget; the conservation of the "gas excise" ("oil excise" till 2002) till 2004. If in 1998 the contribution for using natural resources to fill the consolidated budget of the Russian Federation was only 3,3% (\$2,3 bln), by 2007

the index increased up to 14,9% (\$45,3 bln); at the same time, the volume of export duties, the main payer of which was the mineral resources sector, reached a quarter (\$78,1 bln) of the total state budget profit (Russian Statistical Yearbook 2008: 636-641)

Thus, by 2007 the government had withdrawn about 7.1% of GDP from the mineral-resources sector. Simultaneously, by the beginning of 2007 an external debt of mining industry companies exceeded \$250 billion or 19.4% of Russian GDP. At the same time financial authorities made loans to foreign borrowers at 4-5% per year, while domestic businesses had to borrow their own money at 8-15% annually. The losses due to the percentage difference comprised about \$6 billion each year (Russian Statistical Yearbook 2008: 33); Maltsev Al. 2010: 193).

Though it's incorrect to say that Russian mining industry is lifeless. *Vise versa*, by the beginning of XX century the mineral-resources sector became a main source of income in the Russian economy, which 'circled' financial flows of the country. The mineral-resources sector (*MRS*) as a main source of profit in foreign currency began to influence money circulation in the economy. In 1995-2007 the growth rate of money supply was equal to the analogous indicator of exports increase (table 7) and the Russian economy monetization index didn't exceed 17% over the whole post-Soviet period.

Table 7: The Russian economy monetization's dependence on the exports profit of MRS

Index	1995	2007
Money supply M2, \$bln.	48.3	215.5
Money supply M2, % from GDP	14.3	16.7
Money supply M2, %	100.0	446.2
Export, total \$bln.	78.2	352.6
Export, %	100.0	450.9

Calculated with: RSY 2001: 37, 604; Ibid. 2008: 764; The Bank of Russia: Macroeconomic indicators: M2 (Bank Rossii: makroekonomicheskie indikatori: denezhnaya massa: M2)

The development peculiarities of commodities-based industries in Russia which have been reviewed make it possible to draw the following conclusions (Maltsev 2010: 382):

- By mid 2000s the commodities-based industries domination was built in Russian economy. The country turned into the world volatile market "hostage" because the Russian economy was entering the global production process as a raw material supplier and because of the lop-sided export geographical structure.
- The communications failure between Russian regions and the former USSR republics, transregional trade turnover reduction in the context of the outrunning transport tariff growth have foreshadowed the redirection of the

regions rich with raw materials to external markets. The result of the unequal Russian regions involvement into the world economy is the social-economic heterogeneity and the Russian economic space deformation.

- The government rejection of the investment and technological extractive industries inspiration has led to Soviet raw materials base “eating away” and the commodities-based industries rate of development slowdown. The loss of using resource rent opportunities in order to modernise the economy led to the restriction of the potential new technological patterns and the setback of the Russian economy’s technical structure.
- The attempts to increase the role of the raw materials in the solution of foreign policy issues, the Russia positioning as an “energy superpower” are facing with the active counterwork of the Russian raw materials importers and transitors. The additional factor which restrains Russia from becoming “energy superpower” is the run out of the existing exporting infrastructure, the key types of commercial minerals production decline.
- The World Economic Crisis of 2008 has demonstrated the dead-lock of the Russian development export-oriented model by indicating the internal market swift growth urgent need, the market will generate a demand and will provide an adequate supply. In such a case the country is facing with the necessity of the quickest solution the problem of the contradiction between raw materials export growth tactical objectives in order to provide the simple reproduction and the national economy diversification strategic goal.

With regard to the processing industries (they were in the Russian industry at the level of 67.8% of all production in 2007), they are characterized by the predominant lower levels of refining of raw materials. In the period under review metallurgical production (about 21% of the total value of goods and services sector) and food industry (15%) are clearly distinguished. The place of branches which provide innovative development is even more modest. The production of vehicles consistently occupied at 2002-2007 the fourth position in terms of shipped products of the industry. Moreover, its share decreased slightly (from 12.4% to 10.5%) and the production of vehicles kept the leading role and fluctuated within 6-7%. The share of manufacturing equipment, chemical products and production of complex engineering (manufacture of electrical and optical equipment) in the total value of shipping goods, work and services of the country (in terms of the turnover of organizations) did not exceed 6-8%. Over the years the share of the weight of chemical production and manufacturing equipment also fell by 2 percentage points (Mironova 2009:181).

4. Economic role of the state and its economic policy

Modern economy requires the active participation of the state as a subject of market economic relations, as well as regulating and governing body. In all the countries of the world the role of the state is reviewed as following: the public

impact on the economy is now required to speak not in the quantitative estimates but in quality efficiency of the state regulation. The local experience has its own specific features. Before clarifying the role of the government in the Russian economy, some important aspects in the development of the country must be emphasized (GRRE 2003: 11-13):

1. Belovezha agreements on the Soviet Union dissolution 8th December, 1991 legislatively issued the processes of economic, political and sociocultural separation of the former Soviet republics from the Russian Federation. The technological and economic relationships evolving over the years were broken. The Council for Mutual Economic Assistance was dissolved.

2. The role of the state in Russia during examined period changed dramatically. In the period under review the economic development model changed too. The country received the status of the state with market economy. The country moved from a centrally planned economy to a market economy, and in its superliberal form.

3. Russia's economy has its own characteristics which influence on the state's role in it: a large-scale economy (including the size of territory, population, natural and productive capacity), great wealth and diversity of natural resources, a significant socio-cultural diversity, multi-nature of the economy, regional differentiation in indicators).

The transition to an open economy, the failure of the regulatory role of the government led to many businesses, previously seen as Russia's, in fact, were working under the control of foreign capital transferring considerable resources abroad. The state practically refused to support and protect domestic producers. The inflation became galloping nature which was the redistribution of national income in favor of monopoly industries and the informal (shadow) economy. Barter and "dollarization" of the economy undermined the domestic market. While the world's fifth technological way became firmly established, in Russia there was a trend of technological degradation. The privatization and the corruption of the bureaucracy prevented the economic growth.

Nevertheless, despite the inefficiency and inconsistency, the adopted model of the transformation contained some progressive elements: eliminating restrictions on entrepreneurial initiatives, overcoming excessive bureaucratic centralization of state-control. The Russian economy hasn't lost its viability, the potential for recovery and transition to the post-industrial stage of the development. But along with the positive factors there are also those that would inhibit such recovery: adverse climatic conditions in most parts of the country, the obsolescence of fixed assets and infrastructure, spatial sparseness of towns and villages.

Recently, the role of the state has become more visible at all levels, especially at the state, measures aimed at strengthening Russia's position in the world trade are considered and the conditions for increasing the competitive capacity of domestic enterprises and industries are analyzed. The Basic directions of social and economic development of the Russian Federation in the long term, adopted by the Russian Government, the problem of modernizing the economy has been posed. It should be in the interrelation with two more objectives: to establish a new social contract in the society and to reform the power (GRRE 2003: 47)

And only recently they begin to realize that without the help of the state they can neither create an effective market-based system of management, nor to regulate its operation successfully. In the early stages of reforming the Russian economy (early 1990s) the principle of economic liberalism (unlimited scope of market regulation and severely restricting state interference in market processes) was strictly adhered to. According to experts in the field of the state regulation (GRRE 2003: 103) "in terms of the higher interests of Russia, this way has not justified itself." It did not meet the conditions of post-Soviet Russia. But it's wrong to say that the state is eliminated altogether from the participation in economic transformation but is focused only on the processes of privatization and denationalization of the economy.

If we trace the evolution of the state's role in this area, its stages and the results can be summarized as follows (GRRE 2003: 104-107):

- Now $\frac{3}{4}$ of the state property is transferred to private ownership; but most of the privatized firms operate inefficiently.
- Competitive markets cover a small portion of production, so the important role belongs to the antitrust policy. It is promoted by the new law "On competition and restriction of monopolistic activity on commodity markets".
- In Russia in recent years much has been done to ensure the institutional completeness: market infrastructure, market financial mechanisms and instruments are formed and develop.
- Russia is more suitable for mixed managed economy. Its model is based on the interaction of mechanisms of the state and market regulation. It contains the developed market institutions, social orientation of the economy, the system of social partnership.

One of the most important strategic factor in sustainable economic development is the formation of a civilized modern entrepreneurship in the economic space of Russia. Here the role of the government is to create a system of state support. It is presented, first of all, by the law of the Russian Federation (1995) "On state support of small business in Russia" (1995), reduced and simplified taxation, and more recently the registration of business by the method "one window".

In the transformed economy the state tax policy is designed to facilitate the development of effective forms of management. In Russia, from the very

beginning (1992) the construction of a new and effective fiscal system started. Its meaning was limited to the replacement of taxes (characteristic of the command economy and fixed prices). Since January 1992, new taxes have been introduced: a profit tax, property tax, value-added tax. But unfortunately the Russian tax system is still rigid, complicated and basically solves not stimulating but the fiscal problem. The acute problem is also the collection of taxes and the high share of taxes on foreign trade. At different periods of time parameters of the federal budget are different (especially in times of the crisis).

The number of employees of state and local authorities is around one thousand people (for example, in 2001 it was 1140.6 thousand people, 86.3% employed in the executive branch, and 11.7% - legislative) (RSYE 2002: 43; table 2.2).

The most important part of the mixed economy is the state sector. The Russian economy is characterized by an active process of denationalization of the economy after the transition to a market economy (privatization results is shown in table 8).

Table 8: The results of privatization

	1993	...	1998	1999	2000	2001
The number of privatized state and municipal enterprises (units)	42924	...	2129	1536	2274	2287
The proportion of such enterprises in industry (%)	28.1	...	10.8	9.1	7.0	5.4
Proceeds from privatization (million rubles, up to 1998 - bln)	450,3	...	17538	12291	41609	16756

Source: RSY 2002: 332 (table 13.21, table 13.22); Ibid: 333 table 13.23; Ibid: 334 table 13.25

Its role is characterized by the size of state property, the number of state-owned enterprises, the volume of manufactured goods (table 9).

Table 9: Key performance indicators for public sector for 2001 (%)

Share	State enterprises	Municipal enterprises
In the total number of enterprises	3.2	2.2
In volume of output	8.1	1.2
Quantity of employees	13.2	2.1

Source: RSY 2002: 349 (table 14.8)

An integral feature of Russia's economy is the social partnership, corporate social responsibility. In the Soviet period, all the attributes of social partnership were actively used: the collective agreements between employers and the trade unions of enterprises, social development plans at the company. In the reform period in Russia the social partnership was started speaking about at the end of 1991, which smoothed the progress of reforms in the form of "shock therapy". In November

15, 1991 the Presidential Decree "On social partnership and settlement of labor disputes (conflicts)," and March 11, 1992 RF Law "On Collective Contracts and Agreements" were signed.

The main goal of social policy of the Russian Federation is a consistent increase in the level and quality of life, ensuring universal availability to social services, especially high-quality medical care.

Transformations of the state regulation in this area are shown in Table 10.

The great attention is also paid to the implementation of the "Housing" project (Affordable and Comfortable Housing - to Russian citizens and «APK» (The development of Agricultural Sector). In such spheres as "culture" the priority is the governmental support of the most valuable objects of cultural heritage of the Russian Federation. Public policy in the sphere of physical culture and sports is aimed at providing training athletes for the upcoming Olympic Games.

The most important prerequisite for achieving the strategic goals of the Concept of the long-term socio-economic development of the Russian Federation until 2020 (Decree of the Government of the Russian Federation, November 17, 2008 № 1662-p) and the Guidelines of the Government Activities of the Russian Federation until 2012 (Decree of the Government of the Russian Federation, November 17, 2008 № 1663-p) is the formation of the modern system of institutions.

Table 10: The purpose of the major changes of the state regulation in the social sphere

In spheres				
Education	Health Care	Culture	Pension reforms	Social support
The shift to the system of the quality indicators, comparable with the world. The development of the system of the board of trustees, supporting structures	Improving the availability to health care for the general public (after its sharp worsening in the 1990s). The goal is the improvement of public health	Preservation of cultural heritage. The orientation of the individual in values for successful modernization of the Russian society	Increasing of the real size of pensions. Increase of the real size of pensions. Pension reform (Since 01.01.2002 the pension system has included a base, insurance and accumulative parts)	The increase in the cost of the item "Social Policy" in the federal budget

According to: GRRE 2003: 582-592

5. Changing of the Russia's position in the world

Main trends of external relations

The collapse of the Soviet Union and the economic disintegration in the post-Soviet states had a significant impact on weakening Russia's position in the global economy. During the second half of XX century the Soviet Union on many economic indicators including the growth rate and volume of production in many industries was not just among the world leaders and often took 1-2 place in the roster. The total economic crisis and vast industrial decline, the collapse of the socialist camp, which influenced on the main part of machinery export of the Soviet Union (75.7% in 1986) largely predetermined the position of Russia's foreign trade structure. If in 1990 the share of energy products in Soviet exports was 40.5%, machinery and equipment were 18.3%, in 1998 these figures were 42.8% and 11.4% respectively. In 1992 (in a year after the disintegration of the USSR) the share of raw materials and semi-products reached 95% (RSY 2002: 619; Ibid 2010: 726).

In 1990s the importance of Russia in the global industry decreased significantly. By 1997 Russia's GDP, calculated according to the new concept of national accounts, declined by more than half compared with 1990. Russia's share in the world industrial production changed from 10,3% in 1990 to 4,5% in 2000. In the period of 2000-2008 Russia accounted for only 2-3% of global GDP in terms of the purchasing power parity (up to 2007 is 2.08 trillion dollars, compared to the U.S. - to \$ 13.86 trillion, in 2008, respectively 2, 27 and 14.26 trillion dollars). Russia's share in the world production of high-tech products was only 0.3% in 2005-2008. (Rodionova 2008: 177-178).

Nevertheless, actual data of Goskomstat of Russia show the steady growth of the foreign trade turnover (table 11). At the same time, despite fluctuations in exports and imports, the balance has always remained positive since 1992. In conditions of external debt and capital flight it contributes to the accumulation of foreign currency and foreign debt servicing.

Russia is among the world's leading exporter of natural gas, petroleum and petroleum products, ferrous metals but the proportion of finished industrial products in export has recently been declining (1975 - 33%, 1980 - 25, 1990 - 26 , 2005 - 20%). Today, the export of engineering goods in the modern structure of Russian is 5.8%. Russia was in a group of leaders in the world production of manufacturing products. For example, in 1980 its share in world production of manufactured goods (in value terms) was 3.9%. Now Russia is not among the top ten (for example, in 2006 it was 1.1%) (Rodionova 2009: 19).

Unfortunately, at present of all Russian exports of goods there are exclusively raw materials and products of shallow processing. In the overall structure of Russian export the share of raw materials and products of the initial stages of processing is more than 70%. Despite the fact that Russia can produce up to 60% of telecommunication equipment, currently available in the world, it lags well behind

the developed countries in terms of the development of communication and telecommunication services to share in the global computer park.

Table 11: The dynamics of Russian foreign trade (\$ billion, on balance of payments methodology)

Years	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Export	103,2	107,3	135,9	183,2	243,8	303,5	354,4	471,6	303,4	400,6	522,0
Import	53,7	60,9	76,1	97,9	125,4	163,3	223,5	291,9	191,8	248,6	323,8
External trade turnover	156,9	168,3	212,0	280,6	369,2	466,9	577,9	763,5	495,2	649,26	845,84
Balance	49,5	46,3	59,9	85,8	118,4	140,3	130,9	179,7	111,6	162,0	198,2

Source and calculated on the base of: RSY (2002: 614): Table 24.2; Ibid (2006: 724): Table 24.2; Ibid (2010: 722): Table 25.2.; RSY (2012 - Table 26.2 and 26.3).

The difference between internal (in a dollar equivalent) and the world prices for basic kinds of mineral raw materials became an additional stimulus to increase the export of mineral raw materials. The difference is determined by the peculiarity of the Russian systems of the price and currency rate formation. For example, in 1994 in Russia one ton of oil cost \$33.2, aluminum - \$942.0, nickel - \$4438.0 against \$110.7; \$1570.0 and \$6340 in the world markets respectively. In these circumstances a disorganized flow of mineral raw materials (many of which had not been exported before as they were strategic) rushed from Russia for the world market. Indeed, even six years after the beginning of market reforms and leveling of the internal and world prices, the export ratio of titanium products in Russia amounted to 163.5% (excluding junk and waste), export ratio of magnesium was 96.3%. By 1998, Russia became the super trader of minerals and raw materials and proved to be the world first exporter of nickel (34.0%) and aluminum (20.1%). Russia was also on the second place in the world export of potassium salt (16.7%), the forth - in cobalt export (9.1%) and the fifth – in export of tantalum (6.4%). However, in general Russian economy export ratio in 1998 was 26.3%. (Maltsev 2010: 378).

By 1998 the Russian share in the global GDP (0,9%) had fallen to its lowest point during the whole history of the country. Unfortunately, in the international division of labor Russia plays a role of a supplier of mineral raw materials, exchanging them for the equipment, consumer goods and foodstuffs (Table 12).

It would be desirable to believe that this distribution of roles is not final. To avoid this, firstly, it is necessary to try to determine principal signs of the globalization influence on the mineral resources sector in the Russian economy. In our view, these should include the consideration of raw materials export, the “single support” model of the Russian economy; the transformation of mineral resources sector into the supporting framework of financial and budgetary system; the social and economic division of regions by a principle of provision with raw materials;

the activation of exterior expansion of Russian multinational corporations as a consequence of the amplified horizontal and vertical monopolization of the mineral resource sector; the aggravation such a notorious problem as Russian “raw materials threat” interpreted by key consumers and transit countries. Based on their nature, it is possible to make suggestions of how to define the future role of the mineral resources sector in the Russian economic complex more exactly.

Table 12: The structure of the Russian foreign trade turnover, %

Commodity group	1990/the USSR		2000		2010		2011	
	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.
Total, including:	100	100	100	100	100	100	100	100
Foodstuffs and agricultural raw materials	2,0	15,8	1.6	21.8	2.2	15.9	2.6	13.9
Mineral products	40,5	2,6	53.8	6.3	68.5	2.3	71.1	3.4
Chemical products, rubber	4,6	4,1	7.2	18.0	6.2	16.1	6.3	15.1
Leather commodities, furs and articles thereof	...	...	0.3	0.4	0.1	0.5	0.1	0.5
Wood and pulp-and-paper products	3,7	1,0	4.3	3.8	2.4	2.6	2.2	2.2
Textiles, textile products and footwear	1,2	1,1	0.8	5.9	0.2	6.2	0.2	5.5
Metals, precious stones and metals, articles thereof	11,3	5,1	21.7	8.3	12.7	7.3	11.4	7.5
Machinery, equipment and vehicles	18,3	44,8	8.8	31.4	5.4	44.4	5.0	48.2
Others	...	...	1.5	4.1	...	...	1.1	3.7

Source: RSY (2002: 618-619): Table 24.10 and Table 24.13; Ibid (2010: 726-727): Table 25.8 and Table 25.11); RSY (20012: 700 - 701): Table 26-8 and Table 26-11.

Alongside with it in 2000 Russia was fourfold inferior to the total result of countries mentioned under this criterion. No doubt, that it played the “first violin” role in leading capital export “raw materials” transnational corporations because an industrial structure of Russian direct foreign investment, in general, copies export structure: 1/3 of them are in minerals mining, 27% in metallurgy. It is remarkable, that the volume of Russian direct foreign investment abroad is comparable with the funds necessary for large-scale modernization of economy

key sectors. So, the required investment volume in the development of the country power system is estimated of about \$ 70 billion, into minerals deposit reclamation of the Eastern Siberia and the Far East-about \$56 billion. At the same time with active increasing of capital export Russian mineral and raw material corporations have not yet turned into transnational companies of international category. For example, even the leader of foreign expansion LUKoil has oil share, produced abroad, in the total production structure not more than 6% against 62.9% of American Chevron Texaco or 75 % of Exxon Mobile (Maltsev 2010: 381).

Out of 40 leading Russian multinational corporations in the real sector only Lukoil's overseas assets in 2006 exceeded 10 billion dollars, while "Gasprom", "RUSAL", "NorNickel", "Zarubezhneft" and "Evrazholding" had from 1 to 5 billion dollars. All the other multinational corporations in a Russian raw sector are totally non-comparable by this criterion to the world mineral resources sector grands. Thus, the British Petroleum foreign assets in 2006 accounted for 170.3 billion dollars, ExxonMobil - 154,9 billion dollars, Total - 120,6 billion dollars, respectively (Sapir 2008: 104-108).

Nevertheless, the statistics clearly shows that the number of cross-border transactions increases from year to year. In 2002, purchases of domestic companies outside of Russia amounted to 504 million dollars. In 2003, compared with the previous year, they increased markedly, as reflected in a nearly twofold (to 975 million dollars) increase in foreign investment by Russian companies. In 2004 it was carried out 31 acquisitions at 1.77 billion dollars, in 2005, respectively, 27 acquisitions at 4.4 billion dollars and in 2006 - 54 transactions at 10.3 billion dollars (Zvetcov 2009: 156).

The surge in the investment activity of Russian corporations abroad occurred in 2007. Russian companies invested in the purchase of foreign companies more than \$ 20 billion, concluding nearly 100 major transactions. In 2008, despite a marked deterioration in conditions of global financial markets, the Russian market continued to actively build its presence abroad.

Analyzing statistical data on cross-border transactions and purchasing productive assets by Russian enterprises abroad we can make the following observations:

- According to the rate of growth in international operations Russian companies are significantly ahead of the TNCs not only of developing but also developed countries. In recent years, domestic companies have doubled the size of their foreign assets, increased the amount of sales from its international operations more than 2.5 times. In their offices overseas more than 150 thousand people are employed, i.e. twice that in the early 2000's.
- About twenty companies control 40% of all overseas assets (in developed countries the level of the concentration in this area at least twice as less).

- The structure of the foreign expansion of the Russian capital is also of the whole raw materials. In 2007, overseas investments in purchasing of enterprises of machine building and chemical industries slightly increased but the share of these sectors in the total volume of transactions and up to date remains small.
- The presence of Russian corporations in the international market of mergers and acquisitions is still insignificant: their share in the world no more than 2%.

The structure of foreign investments received by the Russian Federation consists of the following relation (table 13).

Table 13: The structure of the foreign investments in Russia, mln dollars

Years	2000	2001	2002	2003	...	2008	2009	2010	2011
Total -Bln dollars	10958	14258	19780	29699	...	103769	81927	114746	190643
- %	100	100	100	100	...	100	100	100	100
Direct (%)	40.4	27.9	20.2	22.8	...	26.0	19.4	12.1	9.7
Portfolio (%)	1.3	3.2	2.4	1.4	...	1.4	1.1	0.9	0.4
Others (%)	58.3	68.9	77.4	75.8	...	72.6	79.5	87.0	89.9

Sources: Russia in figures (2010): Table 24.8; Ibid (2005): Table 23.12; Ibid (2012: 490) –Table 24.8

Unfortunately, there is an increased share of "others", i.e. credits, loans, etc. (investments on the return basis). The problem of the development of the investment cooperation is one of the most topical for Russia.

In the industry structure of foreign direct investments their explicit resource-orientation is concerned. There are still few companies which are actively developing modern manufacturing and ready to invest in purchasing of high-tech companies abroad. The share of innovative products in the total industrial production of Russian TNCs does not exceed 5-7% which is 5-6 times less than that of leading international corporations.

In conclusion, we'll show Russia's place in the world economy (Table 14). In 2010 Russia's share was also 3%. (GDP to PPP of Russia=2229 Bln dollars, the same of World total=74430 Bln dollars).

Table 14: Russia in the world's largest economies (according to PPP⁴), 2012

⁴ PPP – Purchasing Power Parity

Country	GDP to PPP Bln dollars	Share in world GDP, %	Country	GDP to PPP Bln dollars	Share in world GDP, %
World total	83120	100	India	4784	5.7
United States	15660	18.8	Japan	4525	5.4
European Union	15630	18.8	Germany	3123	3.7
China	12380	14.9	Russia	2504	3.0

According to: The World Factbook

The level of the involvement of the country into the world economy system can be seen in its participation in the integration groups, for example, BRIC and SCO.⁵ The obvious picture of the BRIC countries and their position on the world stage is presented in table 15.

From the standpoint of determining the position of Russia in the regional integration groupings the experience of the SCO presents the most interest. The share of the SCO in the main indicators of Russia is presented in Table 16 (Kapustina 2009: 81)

Table 15: Share of the BRIC countries in world GDP (%)

Countries/years	2008	2009	2010
BRIC including:	22.1	23.3	24.5
Brazil	2.8	2.8	2.9
Russia	3.3	3.0	3.0
India	4.8	5.0	5.4
China	11.4	12.5	13.2

Source: World Development Indicators 2010

Table 16: The share of the SCO in the main indicators of Russia (%)

Year	Foreign trade turnover	Investment flows	Migration flows
2000	7.9	0.04	43.2
2007	12.0	1.6	44.6

Source: (Kapustina 2009: 81)

The analysis of the economic cooperation within SCO within Russia and China (Kapustina 2009: 10, 31, 41, 59) (Frolova 2009: 86-91) reaches the following conclusions:

- Relationships present a strategic cooperation, affect virtually all parts of the reproduction.

⁵ SCO – Shanghai Cooperation Organization

- Chain oriented to the complementarity of national economies.
- Priority areas are energy, transport and logistics corridors.
- The greatest balance of interests is achieved in the field of investments and use of labor force.
- The prospects of the development can be traced primarily to such directions as a form of SCO energy exchange and promotion of interbank cooperation.
- The effectiveness of cooperation reduces threats. One of them is the dominance of Western companies and TNCs in the export industries of the state of the region.
- The efforts of the CIS⁶ countries are primarily aimed at creating a favorable environment for development: creating a legal and regulatory framework, establishing a common investment area, developing international business.

Table 17: Characteristics of the largest Russian companies in the world in version FORBES (indicators: total market capitalization, sales and profits, assets)

Place in year	2004 (2005)	2008	2012(2011) ⁷
The number of Russian companies	13 (in 2005 - 14)	29	30
The place of Russian companies:	<ul style="list-style-type: none"> - Gazprom – 67(53) - Lukoil-161 (139) - Surgutneftegaz-252 (261) - RAO UES -360 (205) - Sberbank – 409 (333) - Sibneft -452 - Norilsky nickel-504 (430) - Mobile tele systems – 759 - Tatneft- 938 - Severstal – 1091 - Vimpelkom - 1468 - Avtovaz – 1836 (1653) - Mechel – 1985 	<ul style="list-style-type: none"> - Gazprom – 19 - Lukoil – 108 - RAO UES – 151 - Sberbank – 165 - Rosneft – 170 - Surgutneftegaz – 235 - Magnitogorsky – 835 - Mechel – 1003 - Novatek – 1182 - Baltika – 1391 - TMC – 1402 - Uralkaliy – 1687 - Bashneft – 1867 	<ul style="list-style-type: none"> - Gazprom – 17 (15) - Rosneft – 59 - Sberbank – 61 - Lukoil – 64 -Aeroflot – 1974

According to: The World Biggest Companies/ Forbes2000 (2008)

5.2 Peculiarities of transnationalization of Russia' economy

⁶ CIS - Commonwealth of Independent States

⁷ <http://lenta.ru/news/2013/04/19/raring>

At the present stage Russian transnational corporations are included in the rankings of the largest companies of the world. The information about Russian TNC is shown in table 17. The total amount of capitalization on 30 March 2007 is amounted to 246 billion dollars, i.e. the 6th place in the FT Global 500 ranking (Sapir 2008 :109-111).

5.3 Migration challenges in Russia

International migration is one of the most pressing social and economic challenges in Russia. On the one hand, the economic crisis, the fall in living standards caused a considerable emigration of labor, especially the most qualified. On the other hand, the flow of Russian-speaking refugees and temporary migrants from the CIS to Russia has sharply increased (Table 18).

Table 18: The number of migrants in the territory of the Russian Federation (%)

	2008	2009	2010	2011
Total	14,724,733	10,611,639	11,244,108	13,629,300
1 Ukraine	24.89	24.55	22.87	23.12
2 Uzbekistan	13.86	9.72	11.93	13.80
3 Kazakhstan	10.09	13.15	11.66	10.83
4 Tajikistan	7.28	5.44	6.35	6.68
5 Moldova	6.47	5.35	4.98	4.83
6 Azerbaijan	3.91	4.89	5.43	5.87
7 Kyrgyzstan	4.01	3.04	3.98	3.57
8 Germany	3.04	4.06	3.79	3.66
9 China	3.25	3.67	3.24	3.42
10 Others	23.20	26.12	25.77	26.21

Source: FMS (2011: 51). According to: Lugovskaya 2012:15.

Some experts believe that by 2025 the decline of the Russian population in Russia will amount to 85-90%, and this year, the share of the Russians in Russia will be 46.5%, i.e. less than half of the total population. In these conditions it is possible to speak of a deep demographic crisis. Taking into account the high immigration and low assimilation of immigrants, experts identify the following threats. First, changes in the ethno-confessional structure of the population. If the proportion of migrants exceeds 20%, then there are closed ethnic groups that are poorly assimilated, provoking ethnic conflicts. Second, there may be a loss of the territorial integrity of Russia. For example, the first of the lost territories can become Siberia and the Far East. This is due not only to a low birth rate and internal migration, but also the demographic superiority of migrants from Asia, primarily China.

This situation raises a number of problems. The migration situation in the country requires the control of the migration situation on the basis of real estimation of

the quantity of migration flows, the employment of migrant workers, the degree of pressure on the socio-cultural sphere, and the impact on the formation of the national component of Russian cities and security issues.

Migration in Russia is very specific in comparison with the migration to the West. In the case of Russia - as well as in other post-Soviet states - the cultural differences between migrants and the general population of the host country is much lower than in Western Europe or America. The uniform system of education that existed on the territory of the former Soviet Union for more than half a century and spanning several generations, provides a virtually flawless command of the language of interethnic communication (which in this case is Russian) and principled common knowledge systems.

In addition, due to the high mobility of the population of the former Soviet republics, today's workers have a high degree of social competence. Social communication skills acquired by these people during the Soviet period (as seasonal workers, as well as traders in the markets in Russian, Ukrainian and Belarusian cities) allow them to function effectively in the economic and commercial sphere of countries - the successors of the former Soviet Union. In other words, their adaptive capacity and, consequently, the ability to integrate immeasurably greater than that of the integration of immigrants from Asia and Africa who are trying to settle in North America and Western Europe.

Migration waves of the first post-Soviet decade have brought about significant changes in the ethnic and demographic and socio-cultural situation in Russia. Migrant workers from the "near abroad" in large part come to the Russian cities not in order to return home, but in order to stay. More than half a million of them have already received Russian citizenship. Many of these people are the young people whose high school years were the years after the collapse of the Soviet system of education and socialization of the Soviet type, which means that their cultural differences from the general population of the host regions is much more important than that of their parents.

The big Russian cities in terms of ethnic, linguistic, religious and life-style diversity resemble Western metropolises. There is no doubt that the cultural diversity of the Russian people under the influence of migration will only increase.

However, as pointed E. Lugovskaya, the Strategy - 2020 on problems of migration virtually ignore challenges to businesses seeking to maximize profits at the expense of low-income and rightless foreign migrant workers. At the same time, one of the strategic objectives of national security is to reduce the level of social and economic inequality of the population (paragraphs 45 and 112). Replacement of Russian citizens for cheap labor drastically reduces the incentives for companies to its development, the use of innovative technologies, renovation of production and has a direct negative impact on national security (section 67). As

a result the depreciation of fixed assets continues, the level of accidents in the workplace increases, Russia is increasingly lagging behind other countries in its technical and technological development. Uncontrolled stay and resettlement of migrants lead to a deterioration in the quality of life of the local population due to pressure on housing, social infrastructure, the labor market, generating social and political tensions. Besides, illegal immigrants and crime statistics are not in their favor (Lugovskaya 2012: 16).

New approaches of regulatory activity that formed the basis of the "Concept 2025", are focused on the implementation of policy initiatives aimed at: the development of effective adaptation programs and the integration of migrants into the host community, the return of compatriots to Russia, the reduction of the pressure of illegal migration at territories of entrance and departure of migrants, the assistance to Federation entities in the reception, placement and employment of migrants; establishing constructive inter-state relations in the area of migration.

In addition, developed over the last decade migration flows between Russia and the countries of the CIS⁸, EurAsEC, the SCO have led to the formation of the Eurasian migration system, forming a fairly migration interdependence of countries in the region. The migration mechanism in this space is a factor of economic and political stability of countries - donors.

In turn, the intra-regional flows, contributing to the implementation of the geopolitical interests of the Russian Federation in the post-Soviet space, maintain the stability on the borders of Russia. In this regard, the priority objective in the formation of migration policy is to find the optimal balance between stimulating the desired migration and limiting uncontrolled movements that are directed at the Concept-2025.

Along with the creation of appropriate financial and economic conditions the country needs the legislative regulation of migration processes, appropriate bilateral agreements with the countries - members of the CIS, the political and socio-cultural support of migrants.

⁸ CIS - Commonwealth of Independent States

Conclusion

Now we will draw main conclusions in accordance with the tasks:

1. In the context of the international division of labor in Russia the mineral complex is dominated. But the contours of a new paradigm are traced: ICC stands the basis of renewal and is the transitional bridge for the entire Russian economy for the sixth technological system. Russia is aimed at maintaining the interests of compromise along the whole chain of interactions from extraction to consumption of mineral resources (Maltsev: 2010, p. 228, 236), as well as the creation of high-tech economy. Qualitative changes should be revealed in advance of the growth of the final product, compared with an intermediate, in the preferential growth of industries that determine the acceleration of the scientific and technological progress.

2. For the Russian economy the considered time period is characterized by ups (in the growth of production and foreign trade, increased efficiency) and downs (in productivity, values of basic socio-economic indicators due to the global crisis). Nevertheless the country has great potential for the sustained economic growth. Prerequisites for economic renewal of the country are such factors as the enormous intellectual capital, fundamental and applied science, competitive technology in some industries, the process of establishing the foundations of market institutions, the vast natural resources, integrated into the world reproductive processes etc (Alayba p. 44.103). The further growth of the country is associated with science, new knowledge and efficient use of human capital.

3. Russia has gone through several stages of the transformation process. The main result of this successful period (till the beginning of the third millennium) is the representation of Russia as a country with the market economy by the European Union and the US.

4. The various export specialization of the integration groups of countries (for example BRIC) contributes to the development of mutual trade and mutual cooperation. The joint implementation of major projects will lead to expansion of economic ties and increasing mutual trade. The future status of BRIC is associated with the development of systemic indicators. Russia is a part of the system because it demonstrates the basic features of the system: its own development; strengthening of the cooperation with Brazil, India and China; the stability in times of crisis; demonstrates its ability to self-sufficiency and the consolidation of scientific, industrial and financial capital; shows the willingness to assume responsibility in proportion to its authority and role in the modern world; makes a real contribution to the reform and the proper functioning of international organizations; aimed at establishing a new, more equitable world architecture; claims the greater role in the new or restructured institutions of the global governance. At the same time for the more successful operation of the

BRIC countries and the formation of its dominant economic system, obtaining the synergy effect it is important to develop the cooperation in the following areas:

- Institutionalization of relationships (the formal consolidation of relationships will help to find an efficient mechanism for the coordination of positions).
- Raising of the volume of economic ties and mutual trade will increase the stability of four economies.
- Expansion of the issues involved.
- Support from developing countries.

5. International labor migration is an objective process, reflecting the internationalization of economic life. Labor forces as well as other economic resources are focused on the most efficient use including in the scale of global economy. Generally, migration has a great impact on the economy, the social sphere and political situation both in the host and donor countries. The balance of positive and negative consequences for each country participating in this process is caused by internal conditions specific to the country, its position in the global economy and international relations. International migration is one of the most pressing socio-economic and cultural problems in Russia. New approaches of the native regulatory activity are focused on the implementation of policy aimed at the development of effective adaptation programs and the integration of migrants into the host community.

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