RUSSIA’S POWER AND COMPETITIVENESS

ABSTRACT

The revival of the Russia’s power and improvement of the country’s competitiveness are declared as the main goals of the present Russian administration. The evolution of the Russian power from the early 19th until the early 21st century is presented in the first section of this article. The analysis reveals why the present-day Russia is far weaker than in the 1970s when the Soviet power was bigger than the American one. The position of Russia in the rating of the global economic competitiveness is a key issue of the second section. In the final section the Russia’s goals for the future are discussed.

Key words: national power, economic growth, global competitiveness, political regime and country’s competitiveness, economic liberties and political democracy, Russian future goals

INTRODUCTION

According to much recent commentary, Russia is back as a major global player. We agree fundamentally with those who argue that in the 21st century, it is no longer possible to separate internal matters and external relations, Russia’s domestic and foreign policy is subject to dispute, and that Russia’s hollow political scene is dominated by Vladimir Putin since 2000.

1 Prof. Dr. Vladimir Rukavishnikov, professor at the Higher School of Economics, State University, Moscow.
It seems that for journalists and scholars who take Russia’s return seriously the only question is how the West to deal with today’s Russia. But actually for those people, who dislike Putin’s rhetoric, the only question is how Russia will deal with the West after the March 2008 presidential election. However, this paper is not about these questions. We are focusing on assessments of Russia’s national power in the past and the present, country’s global competitiveness, trends and goals for the future as prerequisites for possible answers.

RUSSIA’S POWER: LOOKING BACK AND LOOKING AHEAD

National power has many dimensions – military-political, economical, demographical, geographical, etc. Students of international relations know this very well. It is commonly assumed by scholars that the Correlates of War project’s Composite Index of National Capabilities (CINC) is the best indicator of relative national power for cross-national studies. The composite index of national capabilities for the state under investigation is a composition of three components of power - demographic, economic and military. Its formula is very simple - the average of country’s share of world’s resources over six variables in the given year (x): Total Population Ratio (TPR), Urban Population Ratio (UPR), Iron Steel Ratio (ISR), Energy Consumption Ratio (ECR), Military Personnel Ratio (MPR) and Military Expenditures Ratio (ECR):

$$CINC_x = \frac{TPR_x + UPR_x + ISR_x + ECR_x + MPR_x + MER_x}{6}$$

The point needs to be stressed here is that the concept of power, on which CINC is based, refers to available military, human and material resources of the nation at the given year and to the ability of the government to extract potential resources for the purpose of accomplishing national goals in the case of war and/or external or internal threats.

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The charts on Figure 1 demonstrate the evolution of Russia’s CINC during the last two centuries in a comparison with the USA. There is no correlation between power and the type of political regime, at least in the case of these two great nations.

**Figure 1. The dynamics of Russian and American power in terms of the CINC in 1817-2001**

The sharp drop in Russia’s CINC took place in late 1980s-early 1990s. At that time Russia lost its superpower status. The USA, on the contrary, remains a ‘lonely superpower’.3

Let us consider the likely evolution of CINC components for the coming future in turn.

*The demographic component:*
- The Russian share in the world population is declining (Figure 2). While this tendency can be traced back to the Soviet time, the

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3 No need here to talk about the causes of the final of the American-Soviet Cold war and the fall of communism. The author discussed these issues in the monograph (in Russian): Рукавишников О. Владимир, Холодная война, холодный мир. Общественное мнение США и Европы о СССР/России, внешней политике и безопасности Запада, Академический проект, 2005.
The demographic situation in this country has worsened since the collapse of the USSR.

- The same declining trend has been registered for the post-Soviet Russian ratio in the urban population of the world.

**Figure 2. The Russian share of world population, 1820-2006**

![Graph showing the Russian share of world population from 1820 to 2006.](image)


Indeed, today’s Russia contains about 141-142 million people – much lesser than the USA, the European Union and the former Soviet Union, not speaking about Asian giants (Figure3). This country got from the Soviet Union about 70% of its territory and 55% of the total population, but since 1992 the annual loss of population is about 700,000 – 1 million people. Russia’s population is declining because of low birth rates and abnormally high death rates for males.

The habits of a nation – its diet and a nutrition standard, alcohol consumption and smoking patterns – all have a tremendous influence on a society’s health. Unfortunately, the traditional pattern of strong alcohol consumption determines the premature male mortality to a large extent. This pattern is widespread and deeply rooted in the Russian folk culture. Alcohol
abuse leads to cardiovascular diseases, increasing casualties in accidents on the road, murders, suicides, etc. Add a non-stop drug usage and the spread of AIDS among the youth to the list of mortality causes.

*Figure 3. The dynamics of total population of Russia empire, the USSR and Russia in a comparison with the USA in the 19th and 20th centuries*

Do not forget the very fact that Russia’s population is aging alike Europe’s one to complete the picture. The negative effect of the process of aging of the population on economics, national defense and politics is well-known and unavoidable. The able-bodied citizens will diminish significantly. It urges the government to enact policies that boost productivity and labor force to deal with the trend. Therefore the vital question is whether the new ambitious social

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4 Population in many countries in Europe and the former Soviet Union will be among the oldest in the world by 20025. The median age of populations in Europe will increase from 38 to 49 in 2050, and Spain with half its population older than 55 by 2050, will be the oldest country in the world, closely followed closely by Italy and Austria (the World Bank prognosis released in June 2007).
programs – so called national projects – demographic, immigration, educational, medical and health care, etc. launched recently, can help to break the tendency of declining of the total population or not. If these governmental programs fail, than the total population may shrink to near 130 million by 2025 and 120 million by 2050, i.e. to the level of total population of the Russian Soviet Federative Republic in late 1950s – early 1960s.\(^5\)

The push, in our view, came at a critical time, although there are various explanations of the underlying motives of these projects.\(^6\) The public monitor over national projects gives us a hope for the better final of these projects than previous similar initiatives.\(^7\)

*The economic component.* The indicators of the CINC economic component – country’s ratio in the global energy consumption and the relative size of iron and steel production – were chosen basically for the aims of historical comparisons. The very selection of these indicators emphasizes the importance of the ferrous industry as the principle foundation of powerful economics of any country in late 19th century and the most part of the 20th century, on one hand, and the role of energy consumption as overwhelming evidence of the achieved level of economic development of the nation, on the other.

Rolling the historical carpet back, one can see Russia’s attempts to run down the USA in the volume of industrial production during the Soviet time (Figure 4 and Figure 5). As for the current situation and the prospect for the foreseeable future the state of arts looks the same:

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5 According to the World Bank, the EU is projected to see its total population shrink by almost 24 million over the next two decades; Russia alone is projected to lose 17 million from its current level of 142 million people (The World Bank report “From red to grey: the third transition period” released in June 2007). See also the UN demographic projections on the web-site of Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat (Internet, http://esa.un.org/unpp).

6 There was an impression that national social projects were initiated primarily to promote Dmitry Medvedev, one of Putin’s closest associates, to the first deputy prime-minister position. These projects are an important part of PR-action to make him popular amongst the general public as one of possible successors of the incumbent president at the 2008 election.

7 There is plenty of conferences and parliamentary hearings devoted to the national projects. Press also monitors activity related to these projects. But nobody knows exactly, what will happen with Mr. Medvedev personally and all his projects after the presidential election of March 2008.
• The contemporary Russian ferrous metallurgy is a bit smaller by size and productivity than the Soviet one. The facility of main metallurgy plants should be renovated, but the volume of investments in this branch of industry is far from desirable. There is no prediction of a significant increase of the Russian share of the global iron and steel production in the foreseeable future.

• The drop of energy consumption in 1990s was a direct consequence of the deep economic crisis linked with the fall of the Soviet economy and the introduction of market relations. The energy consumption is increasing in nowadays, and it a symptom of country’s economic recovery. We do not expect the very great rise of Russia’s energy consumption share in the nearest future as well, despite the announced huge plan of reconstruction of the national electric power engineering system.

**Figure 4. The Russia-American energy consumption rally**

Energy Consumption, 1816-2001

The military component. Russian military power in its historic dynamics is assessed here by two variables used in the formula of CINC: 1) the ratio of military forces of the Ministry of Defense in the total military personal of the world; 2) the relative weight of national military expenditures in the global military spending of the given year.

Available data clear demonstrate, first, how the USA and Russia mobilized their resources in times of war or military conflicts, and, second, how the Soviet Union tried to be military equal to the US by rising up its defense expenditures during the years of Cold war (charts on figures 6 and 7). The final of this enduring rally is known.

The current situation and perspectives for the future in this field can be characterized as follows:

• The Russian military budget as a percentage of GDP is lesser than the American, yet a bit bigger than in major European countries – members of NATO (Figure 8).
• No doubt the impact of the Russian military expenses, which are growing up since Putin’s coming to power, can not bring a significant rise of Russia’s military expenditures ratio.8

• Russian military budget counted in US dollars is very small compared with the USA (Figure 9), yet we doubt that the Russian government exposes all expenditures related to defense and security to the press and the public.

• After the drop in early 1990s and an increase in mid-1990s due to the Chechen war, the total size of the Russian military (MoD) has stabilized in early 2000s, and it seems that Russia’s ratio to the total world military personal likely will continue to decrease than increase.

• Russia intensifies efforts to rebuild its military machine. But the unfolding military reform along with modernizing of arms and armaments and reviving of the military-industrial complex cannot alter the above-made assessments.

Although the difference between the huge American military expenditures and the moderate Russian military budget is enormously big, rising trends emerged in 2003-07 look comparable (Figure 9).9 The similar tendency of increasing military expenditures is observed in all NATO-members, China, India, Saudi Arabia, South Korea, Australia, Brazil, and so on (Table 1). It is an alarming sign of global militarization.10 Alas, the arms race has not finished by formal end of Cold war. Power politics is coming back. And the USA with its foreign policy is first and foremost responsible for this remake.

Happily, nobody predicts a great nuclear war in which Russia will be engaged in the observed future. Yet Russia is viewed as the potential treat to the US, although not the enemy, – and this view prevails among the US expert

8 According to the popular American newspaper, “Russian defense budgets have been soaring since Putin came to power, buoyed by a rising tide of petroleum income, and are set to jump by 23 percent in 2007 to a post-Soviet high of $32.4 billion. Moscow does arms business with over 70 countries, including China, Iran, and Venezuela, and in 2006 exported $6 billion worth of arms” (Fred Weir, “Russia intensifies efforts to rebuild its military machine”, The Christian Science Monitor, February 12, 2007, cited from web-edition – Internet, http://www.csmonitor.com/2007/0212/p04s01-woeu.html).

9 The rise of Russia’s military expenditures is carefully monitored by foreign observer but it is very rare compared with the rise of military expenditures of the US or other nations by the popular media.

10 See the latest SIPRI report: Recent trends in military expenditure (Internet, http://www.sipri.org/contents/milap/milex/mex_trends.html). It should be noticed that SIPRI data differ slightly from data of other sources.
community despite the numerous declarations about partnership between these two great nations made after the end of Cold war.\textsuperscript{11}

\textit{Figure 6. The Russian and American military in times of war and peace, 19\textsuperscript{th} and 20\textsuperscript{th} centuries.}

\textit{Military Personal, 1816-2001}

\begin{center}
\includegraphics[width=\textwidth]{military_graph.png}
\end{center}


\textsuperscript{11} It is easy to draw such a conclusion from the media reports about recent hearings at the Intelligence Committee of the US Congress and speeches of heads of the CIS and the US army intelligence.
**Figure 7: Military expenditures of the two great rivals of the previous centuries**

Military expenditures, 1814-2001


**Figure 8. A comparison of military budgets as % of GDP in 2006.**

Defense spending, 2006

Source: NATO and Russian official statistical data.
**Figure 9. The rising trends of military expenditures of the USA and the Russian Federation in the 21st century**

Military Budget, 2003-2007

Source: Russian and US statistical reports (official data and est.).

**Table 1. Military expenditures of 15 top nations in 2006**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Military expenditures in 2006 (US$ bin.)</th>
<th>Change (% to the previous year)</th>
<th>Military expenditures per capita (US $)</th>
<th>Global share (%)</th>
<th>Military expenditures in 2005 (US$ bin.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>USA</td>
<td>528.7</td>
<td>10.6</td>
<td>1 756</td>
<td>46</td>
<td>478.2</td>
</tr>
<tr>
<td>2.</td>
<td>Great Britain</td>
<td>59.2</td>
<td>22.6</td>
<td>990</td>
<td>5</td>
<td>48.3</td>
</tr>
<tr>
<td>3.</td>
<td>France</td>
<td>53.1</td>
<td>14.9</td>
<td>875</td>
<td>5</td>
<td>46.2</td>
</tr>
<tr>
<td>4.</td>
<td>China (est.)</td>
<td>49.5</td>
<td>20.7</td>
<td>37</td>
<td>4</td>
<td>41.0</td>
</tr>
<tr>
<td>5.</td>
<td>Japan</td>
<td>43.7</td>
<td>3.8</td>
<td>341</td>
<td>4</td>
<td>42.1</td>
</tr>
<tr>
<td>6.</td>
<td>Germany</td>
<td>37.0</td>
<td>11.4</td>
<td>447</td>
<td>3</td>
<td>33.2</td>
</tr>
<tr>
<td>7.</td>
<td>Russia (est.)</td>
<td>34.7</td>
<td>65.2</td>
<td>244</td>
<td>3</td>
<td>21.0</td>
</tr>
<tr>
<td>8.</td>
<td>Italy</td>
<td>29.9</td>
<td>9.9</td>
<td>514</td>
<td>3</td>
<td>27.2</td>
</tr>
<tr>
<td>9.</td>
<td>Saudi Arabia</td>
<td>29.0</td>
<td>15.1</td>
<td>1 152</td>
<td>3</td>
<td>25.2</td>
</tr>
<tr>
<td>10.</td>
<td>India</td>
<td>23.9</td>
<td>17.2</td>
<td>21</td>
<td>2</td>
<td>20.4</td>
</tr>
</tbody>
</table>
Resuming, we must say, a scrutiny of CINC’s components reveals that contemporary Russia is weaker than this country was before the collapse of the USSR and even in 1970s when the Russian CINC was higher than the American one. It is unlikely to take the Russian CINC up speedily in the years to come. It means Russian power in the foreseeable future will stay lower than that of the USA or China.

Perhaps, this diagnosis is indisputable, yet, in our view, the analysis presented above transparently clear shows the limitations of any cross-national comparison of modern states based on the CINC. The power capacities of modern state, in our view, cannot be precisely described by the composite index, which was developed basically for purposes of historical researches.\(^\text{12}\)

Power as a concept is dynamic: its content and attributes are changing over the time. Indeed, today’s Russia possesses more than 3,000 strategic
nuclear warheads, is the world’s second-largest exporter of oil\textsuperscript{13} and armaments,\textsuperscript{14} is the foremost exporter of natural gas,\textsuperscript{15} and is member of G-8 and a permanent member of the United Nations Security Council. Country with these attributes cannot but is a global player with strategic heft, even if after precise scrutiny its power capacities appeared to be far less substantial than prevailing wisdom avers.

The world is rapidly changing, and becoming ever more integrated. The era of globalization is altering the rules of behavior at the international arena. Certain dimensions of Russian power are becoming more important in the new circumstances than in the years before (say, a scale of energy resources became comparable with a size of nuclear arsenal, a principal determinant of country’s weight in international relations of the 20\textsuperscript{th} century, since its role in world politics has dramatically changed, etc.).

Current Russia’s ratio to the global GDP is lesser than in 1991 (Figure\textsuperscript{10}). In 2006 post-crisis Russia was tenth in the list of leading economics of the world according to GDP PP in prices of 2002 like in 1994 (in 1991 this country occupied the fifth position – Figure 11).\textsuperscript{16}

Russia’s economy is growing more slowly than we need it to do. Or wish it to do. The government has increased the volume and scale of those activities, which it believes demonstrate its international status, but most branches of industry have not reached for the level of 1990 in terms of productivity and efficiency so far.\textsuperscript{17} Consequently, we as a nation cannot compete internationally as effectively as wish.

\textsuperscript{13} After Saudi Arabia.
\textsuperscript{14} After the USA.
\textsuperscript{15} Russia provides more than a quarter of the European Union’s oil and more than two-fifths of its natural gas.
\textsuperscript{16} In May 2007 President Vladimir Putin said journalists Russia has shifted to the number 9. We do not see the statistical reports to check out whether this move took place or not.
\textsuperscript{17} We must add that the largest part of advanced technology products from Russia is exporting to the CIS countries and to China, while the total share of European market and Japan is near 10\% (data of International Trade Centre (UNCTAD/WTO)/ Countries (Internet, http://www.intracen.org/menus/countries.htm).
Figure 10. The impact of the Russian Empire, the USSR and the Russian Federation to world GDP in the past and the present

Russian ratio to world GDP, %


Figure 11. The first ten nation of the world ranked by GDP PP (in prices of 2002)

Ranking GDP PP

Source: UN and IMF statistics.
RUSSIA’S COMPETITIVENESS

Nobody talk about economic competitiveness in the Soviet Union. It is safe to say, global competitiveness as a concept did not even exist in policy discussions at that time. Competitiveness has become a buzzword in a national policy debate in Russia only during last few years.

For the purpose of discussion here, we stick with a definition of national global competitiveness as “the degree to which a nation, under free and fair market conditions, produce goods and services that meet the test of international markets while simultaneously maintaining and expanding the real incomes of its citizens”, adopted in the USA in 1980s.\(^\text{18}\)

There are three important points in this definition. First, competitiveness implies an ability of nation to compete in a global market. Another point to be stressed is that the concept of economic competitiveness refers basically to the ability of the government to create certain conditions for doing business. This is a capacity of the political system to convert national real and potential capabilities into actual advantages at the global market. Third, it means the state should reach the high level of global competitiveness without an associated decline in real incomes and without a decline of the value of national currency that would cause falling real wages over time.

All in all the definition draws national attention to the position of the country in the world economy and simultaneously to prosperity. It also indicates both national power and global competitiveness are means, not goals in and of themselves.

The crucial determinants of competitiveness as defined above are productivity improvements and technological innovation as well as investments in human capital. Human capital is nation’s greatest competitive potential and a prime element of country’s power. To compete internationally, the nation should improve all three above mentioned parts.

Despite a common support of this simple idea by Russian authorities, not speaking about the general public, it is too early to speak about the results of mentioned above loudly announced national projects and other changes in domestic policy which are often called as the state coming back to economy, education and medical and health care.

Global competitiveness has economic and symbolic significance for any country. In recent years social scientists have expended a great deal of effort in attempts to develop accurate and practical measures of country’s global competitiveness. These efforts performed under the auspices of the World Economic Forum\textsuperscript{19} have been met with considerable interest amongst scholars and practitioners.

We must say here a few words about the difference between basic measures of power and competitiveness. GDP as a major macroeconomic indicator of country’s might refers to national power, while per capita GDP serves as an indicator of economic prosperity. As a matter of fact, measures of global competitiveness speak (indirectly) about the ability of governments to create prosperity inside and to compete outside peacefully, while measures of national power refer to the ability of states to engage in military conflicts. Therefore, a mentioned conceptual discrepancy between indicators has policy’s implication.

In 2006 Russia was ranked 62 in the list of 125 nations according to the scores of GCI – the growth competitive index.\textsuperscript{20} This country was ranked below India (43) and China (54) but before Brazil (66). Russia’s closest neighbors in this list were El Salvador (61) and Egypt (63), while its former rival, the USA, occupied the 6\textsuperscript{th} position in the first ten in a company with Switzerland (1), Finland (2), Sweden (3), Denmark (4), Singapore (5), Japan (7), Germany (8), the Netherlands (9) and the UK (10).\textsuperscript{21}

There is no correlation between the CINC and indexes of competitiveness. The picture of relationship between the type of political regime and country’s competitiveness is fuzzy and rather complicated. Although overall democracies show themselves as more competitive nations than others because of maintaining and/or expanding political, social and economic liberties and the rule of law, there were examples of backward nations growing more rapidly than open economics.\textsuperscript{22}

\begin{enumerate}
\item \textsuperscript{20} There are two complementary indexes: GCI – growth competitiveness index, and BCI - business competitiveness index. Ratings of nations on these indexes are correlated.
\item \textsuperscript{21} In 2005 according to the WEF report Russia was ranked 53rd among 117 states. This means its rank has been declined on 9 points a year. The methodologies of assessments in 2005 and 2006 are in a perfect match.
\item \textsuperscript{22} See our chapter (in Russian): Рукавишников О. Владимир, “Политическая культура, демократия, и конкурентоспособность” В кн.:, Мы и Они. Россия в сравнительной
\end{enumerate}
What counts for the poor results of Russia? The opinions in Russia vary from a total rejection of the WEF rankings and a harp criticism of measures of competitiveness to an outwardly restrained acceptance of the WEF reports.23

The possible explanation links historically open economies with good state and societal institutions, the mature civil society. But because institutions and policies correlated with growth are highly correlated among themselves, it is hard to isolate the effect of individual policies.24

The economic growth is a basis for both national power and global competitiveness. What is quite clear is that power capacities heavily depend upon wealth, which, in its turn, normally is rising up because of capitalist economic liberties. But economic liberties may continue living in the absence of real political and social democracy.

Power’s central role in international relations is unsurpassed up to this date. And military muscles can be pumped in no democracy. History had proofed it.

As for global competitiveness of the nation, it depends upon political democracy perhaps even more than on wealth. Country’s competitiveness flourishes more often than not when a full set of human rights and civic liberties is in a good stand and when corruption is low. And all this is not the case of today’s Russia.25

23 The topic has been addressed so often, that even the task of neatly summarizing the literature concerning Russia’s poor position in the WEF competitiveness ratings is daunting.

24 The political and social dimensions of global competitiveness and rebuilding of the Russian economy require a new sense of collaboration and trust among business and labor, government and people (described empirically in terms of interpersonal trust and political trust as measures linked with social capital and political stability). For a lack of room this issue is not discussed in this paper.

CONCLUSIVE REMARKS

What goals should the Russian Federation pursue in effort to regain its global prominence? What strategies for renewal should be adopted in the public and private sectors? Leaders in government, business, political parties and labor unions permanently address these questions. The importance for economic growth of property rights and the rule of law with a low level of corruption is universally accepted, but there is a skepticism concerning the degree of openness of economy. Almost everyone agrees that while many of causes of the present situation can be traced back to the USSR, although have worsened since its collapse, others are rather new or were created in 1990s. The Russian capitalism is not strong, democracy is too weak.

During 1990s politically post-Soviet Russia was young quasi-democracy with formally existing human rights and democratic liberties. For many Russians Boris Yeltsin and his team of reformers are responsible for the devaluation of democracy in Russia more than others, because since 1990s the word ‘democracy’ is associated in minds of the general public with mass poverty and misery, unfair privatization of public assets and personal troubles as an aftermath of liberalization of economy.

Anocracy is a general term for state with weak (or non-existent) central authority; this kind of states might be easily shifted to civil war, because the integrity of the country is likely to be imperiled by regional separatists. Its pattern of political system is a mixture of democratic and autocratic elements. The balance of these elements is unstable.

In our view, the bloody Chechen wars and the deepest economic decline in 1990s are the most direct proofs that Russia under Yeltsin represented a special sort of anocracy. The move from the ‘Russian edition of anocracy’ to the so-called ‘soft variant of personality cult’ of the incumbent president occurred in early 2000s. The balance of elements of the political culture shifted towards the authoritarian pole.

The strengthening of state – or of the personal power of the president - became the central theme of the first Putin term. But since foreign affairs could not be ignored, Putin’s emphasis on the fight against Chechen separatists and international terrorism provided a convenient formula for melding the domestic and the foreign into a basic theme in a dialog with the Western leaders. This theme after the September 11 tragedy in the USA became dominant. The accent on terrorism as a common threat helped both sides to smooth the criticism of western media concerning the process of reducing of
democracy in Russia. As we know, Putin was easily reelected in 2004. During the second term the Russian president reinforced the priority placed on domestic affairs, and the view for foreign policy as an extension of domestic politics had a side effect: the relations with the West have deteriorated.

The attentive reader of mainstream western newspapers could easily detect the growth of doubts about whether Russia ever may be an ally for the US in the global struggle against the international terrorism and a reliable supplier of oil and natural gas for Europe since 2005. Backed by oil and gas reserves, Russia is becoming stronger and independent, and the non-stop campaign of criticism of Putin’s policy in the western media is intensifying in parallel.

Currently President Putin is pictured by the western media as an increasingly hostile to democracy and to the West because of his words and actions, but, in our view, it is an oversimplification. The real picture is more complex.

Here let me quote what The Sunday Times wrote in May 27 of this year: “to the West, Moscow’s strongman is a despot out to crush democracy; that’s just why most Russians like him”.

It is true that about 70% of Russians support President Putin, according to the latest polls – by any standards a record for a leader at the end of his tenure. But to say that plain Russians like him because of his anti-democratic domestic politics is not correct, in our view, – if, of course, such a declaration is not a conscious misinformation or even defamation.

For the bulk of plain folks, Putin’s youthful appearance, sobriety and intelligence make him the perfect symbol of Russia’s going out of the crisis. This perception is backed by the step-by-step growth of wages and pensions during his reign.

The official propaganda created an image of national savior for Mr. Putin. The national television channels feed up the audience by the idyllic pictures of the President working hard during his numerous visits abroad or at the governmental meetings. His recent anti-American propaganda escapades have

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been met at home with great sympathy as symptoms of rebuilding of Russia’s
great power status.28

It is true that any appeals to restore ‘real democracy’ find no responses in
apathetic masses.29 It is also true that Putin’s vision of democracy in his own
country differs from western understanding of this concept. And that he likes
the practice of appointment of governors and the effective populist actions
strongly rejecting any political motivations of the last.30 Nevertheless, the
power elite did not resisted the new edition of the personality cult in this
country. The business elite is getting richer and richer under Putin’s reign; all
these people are satisfied with the status-quo and wish to preserve it, referring
in public to a popular culture with the deeply rooted mistrust to the West of the
population to justify the attitude toward the regime.

Today Putin’s entourage controls leading companies with total
capitalization equal to 80% of Russia’s stock market.31 His closest lieutenants
are on top positions of most state-controlled economic giants, such as
‘Gasprom’, ‘Rosneft’, ‘Russian railways’, etc In short, those who are
governing Russia simultaneous are actual owners of this country wealth.32

In our view, all these facts indicate that Mr. Putin simply went further and
farther on in Yeltsin’s shoes employing different tactics. And if the reader
agrees that he is not the architect of a corrupt bureaucratic system in Russia,
just an ingenious builder, than he or she may more correctly interpret his policy
and politics.

Now let us return to the basic questions, which were set up at the very
beginning of this section.

28 And it is not a surprise if one takes in account the press of governmental propaganda
forcing the nation to consolidate around the flag as in the old good times of Russia’s
military glory.

29 The left-wing forces are weak and demoralized, because the ruling party successfully
stole away their social demands and patriotic slogans. The right-wing forces lost its
electorate, because many associate their leaders with the economic hardships of 1990s.
Therefore Putin’s pressure on the right-wing and liberal critics of his politics was backed
by negative popular attitudes towards western-oriented politicians.

30 The highly publicized actions against several oligarchs also seem to have been motivated
by politics and looked like an object lesson for other richest people.

31 This estimate is taken from The Wall Street Journal (David Satter. “Putin’s Soul”, The

32 That is why critics of the president say that Putin’s regime is concerned, first of all, about
its own safekeeping, while genuine national interests often write off.
The resurgence of former Russian power is the main goal of President Putin’s policy. It is in the name of getting Russia ‘back on the track’, his regime has turned oil and gas reserves and Russia’s role as a monopoly energy supplier for much of Europe into a real power policy instrument that, as some western observers said, “makes Russia invulnerable and gives it commanding status over a weakening West”.33

Perhaps, the cited statement of “The Washington Post” is an exaggeration, but almost everyone agrees today that Russia under Putin, greatly helped by record oil prices, has gone from being a country that owed billions to one that has paid its international debts and is sitting on a stabilization fund of astronomic size.

The transformation of Russia into a special sort of so-called “petrostate” – a country that organizes its political, economic and social relations around energy extraction and suffers from long-term distortions as a result – is, in our view, a myth.34 As with almost any myth, this one is not entirely false. There are certain grounds for such a proposal. But this particular myth created a strong feeling of “déjà vu”, – as if the Cold war with irrational fear of Russian bear came back.

The principle strategic goal for Russia for the coming future is to avoid a becoming of ‘petrostate’ through a growth of global competitiveness and diversity of export products.

The process of economic recovery in recent years was developing sluggishly, mainly because the government is too afraid of becoming a victim of so-called ‘Dutch disease’, a destructive consequence of a flood of easy oil money, and partly because of ‘uncongenial investment climate for foreign investors’.35 It means the current tactics objectively hampers the progress of economy despite the optimistic declarations of the president, the flood of oil money and an abundance of import goods in the Russian shops.

The tactic of Russia’s recovery must be revalued. Only then can we hope to achieve our strategic economic, political, social and geopolitical aims. But a


35 Many western businessmen cited politics as the reason that Russia remains out of favor. See, for instance, the commentary of Jens F. Laurson and George A.Pieler with a remarkable title “Raw Power, Bear Facts”, Forbes, December 29, 2006.
revision of tactic will become a national agenda only after the elections to come. The relics of pluralistic democracy exist till nowadays despite the concentration of power in Kremlin, and there is no doubts the next elections will be in time, and that, according to opinion polls, the voters’ turnover at the coming elections will be significant. But we are absolutely sure that the nature of ruling regime will not change after the next national and presidential elections whatever the outputs will be.\footnote{Regional elections in March 2007 marked the start of a political season that will culminate in elections for the Duma this December and for the presidency next March. But the contests are likely to be fake competitions, conducted by pro-Kremlin candidates.}

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APSTRAKT

MP 4, 2007 – Moć Rusije i njena konkurentnost
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Prof. Vladimir RUKAVIŠNJIKOV

MOĆ RUSIJE I NJENA KONKurentnost

REZIME

U članku se ističe da su ponovno sticanje moći i zauzimanje boljeg mesta na lestvici globalne ekonomske konkurentnosti dva najvažnija cilja današnjeg ruskog rukovodstva. Takođe se ukazuje da su i moć nacije i svetska konkurentnost sredstva a ne ciljevi za sebe i po sebi.

Prvi deo članka autor započinje analizom moći Rusije u nedavnoj i dalekoj prošlosti poredenicu sa moći SAD, tradicionalnim bivšim sovjetskim/ruskim suparnikom i usmerava svoju pažnju na trendove koji mogu pomoći da se sagleda dogledna budućnost. Složeni indeks nacionalnih kapaciteta (Composite Index of National Capabilities – CINC) se koristi prilikom ove komparacije. Što se tiče CINC, sadašnja Rusija predstavlja “slabiju” državu po svojoj snazi od one koja je to bila sedamdesetih godina 20. veka kada je njena moć bila veća od američke. Nije verovatno da će ruski CINC dostići sovjetski nivo uprkos postignutom ekonomskom napretku tokom godina od kada je Putin na vlasti. Ova dijagnoza je možda nesporna, ali moć kao koncept je dinamična kategorija i njen sadržaj se menja vremenom. Analiza koja je predstavljena u prvom delu rada takođe ukazuje da postoje jasne slabosti i ograničenja svakog poređenja među modernim državama primenom istorijski zasnovanog CINC. Ne postoji korelacija između CINC i indeksa Svetskog ekonomskog foruma (World Economic Forum – WEF). Slika odnosa između tipa političkog sistema i konkurentnosti zemlje je nejasna i prilično komplikovana.