



Crisis and sustainable business in Central and Eastern Europe

Haniel-Seminar Discussion Paper
edited by Prof. Dr. Knut Richter, Alexander Klebe

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**HANIEL-SEMINAR DISCUSSION PAPERS ON
CRISIS AND SUSTAINABLE BUSINESS IN CENTRAL AND EASTERN EUROPE**

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1. **Prof. Dr. Mikhail M. Kovalev:** Barrieren für die Ausbreitung einer Krise auf die Weltwirtschaft und nationale Volkswirtschaften.
2. **Prof. Dr. Nikita A. Lomagin:** Competitiveness of the Russian Economy during the world economic crisis.
3. **Prof. Dr. Rustem M. Nureev:** Russia: Reserves of the institutional development - pre-condition and condition to overcome the economic crisis .
4. **Prof. Dr. Sergei F. Sutyryn:** Internationalization of Russian Economy: threats and opportunities in time of crisis.
5. **Prof. Dr. József Vörös:** The sustainable competitiveness of businesses and countries in Central- and Eastern Europe.

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gefördert aus Mitteln der

HANIEL STIFTUNG

BARRIEREN FÜR DIE AUSBREITUNG EINER KRISE AUF DIE WELTWIRTSCHAFT UND NATIONALE VOLKSWIRTSCHAFTEN

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1. Einleitung

Ziel dieses Papers ist es, die Quellen und Mechanismen der Ausbreitung der gegenwärtigen globalen Krise und des Ungleichgewichts der Weltwirtschaft, die ihr gravierendes Ausmaß bedingten, zu klären sowie internationale und (am Beispiel von Belarus) nationale Maßnahmen zum Aufbau von Barrieren zur Beschränkung der Ausbreitung einer Krise zu kennzeichnen.

2. Die Quellen der globalen Krise

Ausgangspunkt der Krise war, dass im Jahr 2006 Hypothekendarlehen in den USA in großem Umfang nicht mehr bedient wurden. Ein niedriger Refinanzierungszinssatz, eingeführt vom Federal Reserve System nach der Krise der Dotcom Aktiengesellschaften in 2001 und die amerikanische Gewohnheit, mit Schulden zu leben, hatten vorher dazu geführt, dass die gesamte Verschuldung privater Haushalte 15 Bio. Dollar erreichte und das amerikanische BIP überstieg. Der nachfolgende Anstieg des Refinanzierungssatzes verringerte die Nachfrage nach und die Preise für Wohnhäuser enorm. Es begann eine Kettenreaktion der Nichtrückzahlung über die gesamte Hypothekenpyramide hinweg. Die Banken begannen im großen Stil das beliehene Vermögen zu veräußern wodurch die Immobilienpreise noch weiter sanken. Und wenn ein Kreditnehmer seinen nicht abbezahlten Kredit in Höhe von 100 Tausend Dollar sieht, sein Haus heute aber nur noch 50 Tausend Dollar wert ist, dann bricht er naturgemäß die Rückzahlung des Kredites ab. Eine Senkung der Immobilienpreise bedeutet einen Wertverlust des beliehenen Eigentums. Im Ergebnis bildete sich bei den US-Banken ein Defizit aus Hypothekendarlehen von ungefähr 50-100 Mrd. Dollar. Und da auf der Grundlage von Hypothekendarlehen zig abgeleitete Instrumente existierten – Hypothekenanleihen, Optionen, Futures usw. – multiplizierte sich das Hypothekenloch auf 600-700 Mrd. Dollar (Einschätzung von Bloomberg), und wenn man noch die versicherungstechnischen und andere Instrumente hinzuzählt, so übersteigt die Finanzblase hunderte Male den Umfang der Hypothekendarlehen. Billionen von Schulden begannen Banken, Investmentgesellschaften und Versicherungsunternehmen zu ruinieren.

Eine Hypothek löst fast immer eine Krise aus, die sich schnell auf den nationalen und später auf den weltweiten Finanzsektor ausbreitet. Warum? Weil das Hypothekengeschäft hocharbeitend ist und das gesamte spekulative Weltkapital anzieht. Die amerikanische Hypothekenkrise wurde Ende des Sommers 2007 zu einer globalen (Cambridge Place).

Nationale Maßnahme Nr. 1: Der Zugang von spekulativem Auslandskapital zum Hypothekenmarkt muss kontrolliert werden.

Das spekulative Kapital bewegte sich weg von den Immobilienmärkten hin zu den Terminmärkten für Rohstoffe und Nahrungsmittel und rief von Ende 2007 bis zum Sommer 2008 eine starke Erhöhung der Rohstoffpreise hervor (Nahrungsmittel- / Öl- Krise).

Internationale Maßnahme Nr. 1: Der Aufbau einer internationalen Barriere für den Zugang spekulativen Kapitals zu Rohstoffmärkten ist unverzichtbar.

Schon in Davos (Februar 2008) wurde vor dem Beginn nicht einfach einer Hypotheken- oder Nahrungsmittel- / Ölkrise, sondern einer weltweiten Finanzkrise gewarnt. Im Laufe der Jahre 2007-2008 bewahrheiteten sich die Prophezeiungen – der Dollar fiel, Erdöl und Gold durchbrachen einen Preis von 150 Dollar je Barrel bzw. 1000 Dollar je Feinunze. Die weltweite Finanzkrise nahm Ausmaße an und trug Barrieren, die Staaten auf ihrem Weg mit vielen Milliarden aus Haushaltsmitteln errichtet hatten, fort wie Späne.

Hoffnungen, dass sich die Krise auf die entwickelten Länder beschränke, erwiesen sich als vergebens. Die Theorie des „Entkoppelns“, die besagt, dass sich die Entwicklungsmärkte nach und nach aus der Abhängigkeit von den Volkswirtschaften der entwickelten Länder lösen, bestätigte sich fürs erste nicht. Es hat sich gezeigt, dass sehr viele sich entwickelnde Volkswirtschaften (vor allem in solchen MOE-Ländern, wie Ungarn, Ukraine, die Staaten des Baltikums und Rumänien) schon eng mit den entwickelten Staaten verbunden sind. Seit dem Herbst 2008 wurden sie zum Epizentrum einer neuen Welle der Krise: Ukraine – Währungsverfall der Hrywnja um 35% bei einer starken Verringerung der Reserven, Hilfspaket des IWF von 16,5 Mrd. Dollar, Rumänien – Währungsabwertung um 20 %, Ungarn – Gefahr einer Währungsabwertung und von Zahlungsproblemen, Hilfspaket des IWF von 25,1 Mrd.

Dollar und der EU von 5 Mrd. Euro. Ferner müssen in 2009 unbedingt Auslandsschulden refinanziert werden: Russland – 117 Mrd. Dollar, Ukraine – 40 Mrd. Dollar, Ungarn – 35 Mrd. Dollar. In einer sehr gefährlichen Lage scheinen sich die Banken Österreichs und Schwedens zu befinden. Österreichische Banken vergaben an die Länder Mittel- und Osteuropas Kredite von bis zu 56% des BIPs und schwedische Banken 18% des BIPs in Form von Darlehen an das kleine Baltikum.

Seit der zweiten Jahreshälfte 2008 ist die Finanzkrise in eine ökonomische Rezession umgeschlagen, in einzelnen Ländern (Island, Ukraine, Litauen, Lettland) begann eine soziale Krise.

Für 2009 wird eine weltweite Rezession prognostiziert, das weltweite BIP wird sich um 0,5% (IWF) bzw. 1,7% (Weltbank) verringern.

3. Die Treiber der globalen Krise

*... die Kräfte für einen Ausweg aus der Krise anspannend,
dürfen wir nicht vergessen,
wie wir in die Krise hineingeraten sind ...*

N. Sarkozy

Die fundamentalen Ursachen der schnellen Ausbreitung der amerikanischen Hypothekenkrise auf die Weltwirtschaft sind in einer Reihe an Ungleichgewichten zu finden, die ihre stabile Entwicklung gebrochen haben. Übrigens, das wichtigste Ungleichgewicht ist folgendes – **das Missverhältnis zwischen dem real verfügbaren Einkommen der Bevölkerung einzelner Länder (insbesondere der USA) und ihrem Konsumniveau** – und basiert auf den folgenden vier Ungleichgewichten.

Die Diskrepanz zwischen der Finanz- und der Realwirtschaft. Das Hauptelement eines weltweiten Finanzsystems ist faktisch ein einheitliches globales Bankensystem, welches dank moderner Technologien (SWIFT, Internet-Banking, Internet-Handel), ungeachtet unterschiedlicher Währungen, die von Hunderten Zentralbanken emittiert werden, in der realen Welt auf der Grundlage allgemeiner Normen

(Basler Richtlinien) für die Führung von Bankgeschäften funktioniert. Es ist klar, dass die Mobilität des Kapitals nicht durch Informations- und Kommunikationstechnologien, nicht durch Banken und auch nicht durch transnationale Banken (TNBs) gewährleistet wurde, sondern durch liberale Regeln zur Kapitalbewegung und zur Arbeit von Wertpapierbörsen sowie durch spekulative Interessen der Finanzinstitute, die aber überhaupt nicht mit den Anforderungen der Weltwirtschaft verbunden sind. Heute reisen spekulative Gelder mit der Hilfe der TNBs und ihrer Offshore-Filialen nicht auf der Suche nach Erdöl, Seide oder Technologien durch die Welt, sondern auf der Suche nach Gewinnen aus virtuellen Spielen mit Derivaten. Das Ausmaß der Bewegung kurzfristigen spekulativen Kapitals aus einem Land ins andere übersteigt die Bedürfnisse des Handels und der Investitionen in die Realwirtschaft um das Zehnfache, und genau dies schuf die Mechanismen für den Übergang der Finanzkrise von einem Land ins andere. Für die nationalen Regierungen, insbesondere für die kleinen, ist es schwer Einfluss auf solche Kapitalströme zu nehmen.

Amerikanische Wirtschaftsnobelpreisträger erdachten und Praktiker in den Banken realisierten in den letzten 30 Jahren des 20. Jahrhunderts Dutzende virtuelle Finanzinstrumente – Derivate: Hypothekenanleihen, Währungs-Futures usw. Theoretisch ist alles gerechtfertigt, wenn verschiedene Hypothekendarlehen vermischt werden, z. B. in einer CDO (collateralized debt obligation), wodurch das Risiko sinkt und die CDOs von Investmentbanken erworben werden können, wieder mit irgendetwas vermischt und an Rentenfonds verkauft werden können. Das damit entstandene reale Problem stellt sich aber folgendermaßen dar: ungefähr Zehntausend spekulative, weltweit agierende Hedgefonds mit 2 Bio. Dollar Aktiva errichteten zusammen mit den TNBs eine Pyramide aus langfristigen Verpflichtungen, in der schon niemand mehr weiß, an wen schlechte Kredite weiterverkauft wurden.

Allerdings kann der Finanzsektor neue Gewinne nur in Zusammenarbeit mit der Realwirtschaft erzielen, während alle Geschäfte innerhalb des Finanzsektors eine Umverteilung von Gewinnen bedeuten. Die großen TNBs und die kleinen Hedgefonds spielten ein Nullsummenspiel: was der eine gewann, verlor der andere.

Internationale Maßnahme Nr. 2: Die großen transnationalen Banken, die heute kaum einer nationalen Überwachung unterliegen, müssen durch neu zu schaffende internationale Überwachungsorgane kontrolliert werden.

Die Spezifika und Vielfalt der neusten Finanzinstrumente und das Unvermögen, die Konsequenzen ihrer Anwendung zu prognostizieren, führten zur globalen Krise. Anfang dieses Jahrhunderts gesellten sich zu den großen Spekulanten hunderte Millionen kleiner Internet-Händler, die entweder ihre kleinen Wertpapier-Portfolios mit Optionen absicherten oder mit Aktienoptionen und Währungskontrakten spekulierten. Seit 1996 stieg das weltweite Handelsvolumen mit Aktienoptionen von 286 Mio. Kontrakten auf 700 Mio. in 1999 und sein Wachstum fortsetzend belief es sich 2007 auf 8 Mrd. (in 10 Jahren um das Dreißigfache). Mit ungefähr der gleichen Geschwindigkeit wuchsen die Futures-Kontrakte (ihre Anzahl erreichte 2007 7 Mrd.). In Tab. 1 ist die Wachstumsdynamik einzelner Derivate allein für 2007 aufgeführt und in Abb. 1 das Wachstum an Derivaten in den letzten 5 Jahren.

Tab. 1: Prozentualer Anstieg des Handelsvolumens an Derivaten in 2007 gegenüber 2006

Instrument	Aktien	Indizes	Zinssätze	Währungen	Güter
Optionen	35	18	6	91	22
Futures	118	45	20	36	39

Quelle: www.bis.org.

Im Moment der Krise machten die Effekten-Derivate 64 % des gesamten Marktes für Derivate aus. Das größte Marktvolumen an Wertpapier-Optionen ist dem amerikanischen Kontinent zuzuzählen (3 Mrd. Kontrakte), an Wertpapier-Futures Europa, Afrika, Mittlerer Osten und an Index-Optionen dem asiatisch-pazifischen Raum.

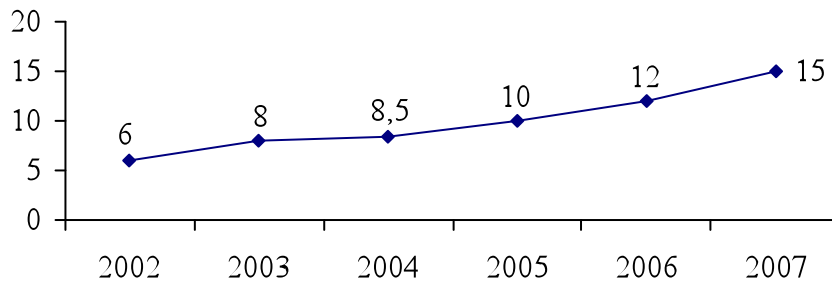


Abb. 1: Wachstum auf dem Markt für Derivate (Mrd. Kontrakte)

Virtuelle Spiele mit der sich auf eine gigantische Größe ausgebreiteten Finanzpyramide erforderten eine hohe Liquidität und die Zentralbanken der Welt emittierten gerne Geld. Die sich im Umlauf befindliche Geldmenge in den entwickelten Ländern hat sich dem BIP angenähert oder es sogar überstiegen, dabei aber keine bedeutende Inflation oder einen Kursverlust hervorgerufen. Wie Keller in der Börsen-Zeitung (22.11.2008) bemerkte: „Die Finanzbranche hat sich von der Realwirtschaft abgesondert.“

Das Handelsungleichgewicht und die Inflation des Dollars. Der US-Dollar ist seit der Nachkriegszeit die weltweite Reservewährung. Sogar die Abschaffung seiner Golddeckung änderte nichts an seiner Rolle als grundlegende Währung für internationale Zahlungsvorgänge (65%), internationale Reserven (62%), Währungstauschgeschäfte (78%), Derivate und börsennotierte Aktien (42%) und Bankenaktiva (42%) (siehe Abb. 2 und 3). Es lässt sich aber auch eine neue Tendenz des Ersatzes des Dollars durch den Euro erkennen – der zweiten Währung, die auf eine weltweite Bedeutung Anspruch erhebt.

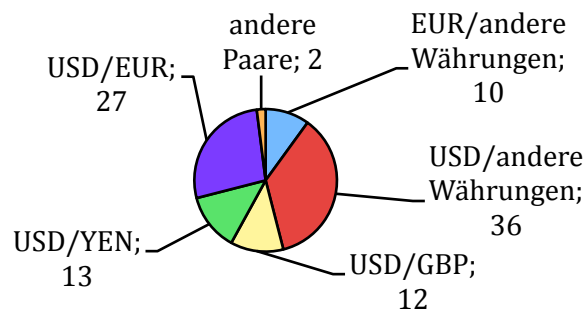


Abb. 2: Die Struktur des Währungsmarktes

Bei der Bargeldmenge hat der Euro den Dollar bereits überholt – Ende 2007 Euro - 677 Mrd. EUR, Dollar – 525 Mrd. EUR; bei der Emission von Obligationen ebenfalls: 46% zu 39%.

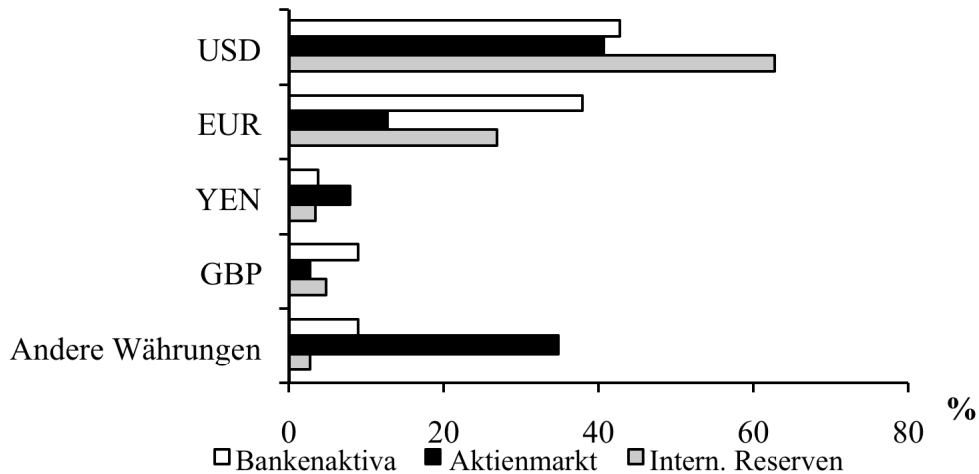


Abb. 3: Die Struktur der Finanzgeschäfte und -instrumente nach Währungen

Quelle: Bank of International Settlements, Bloomberg.

Die Hauptbedrohung für die Weltwirtschaft ist verbunden mit einem möglichen Absturz des Dollars. Das Außenhandelsdefizit der USA (mehr als 800 Mrd. Dollar in den letzten Jahren) führte zu einem Defizit der Leistungsbilanz von praktisch ebenfalls 800 Mrd. Dollar (Abb. 4) jährlich, das durch Dollaremissionen und Dollar-Finanzinstrumente gedeckt wurde, in erster Linie durch Schatzbriefe der Regierung der USA. Die Staatsverschuldung erreichte 11 Bio. Dollar. Ausländer kontrollieren insgesamt ungefähr 30 Bio. Dollar, doppelt soviel wie das amerikanische BIP (Daten nach Angaben von Goldman Sachs).

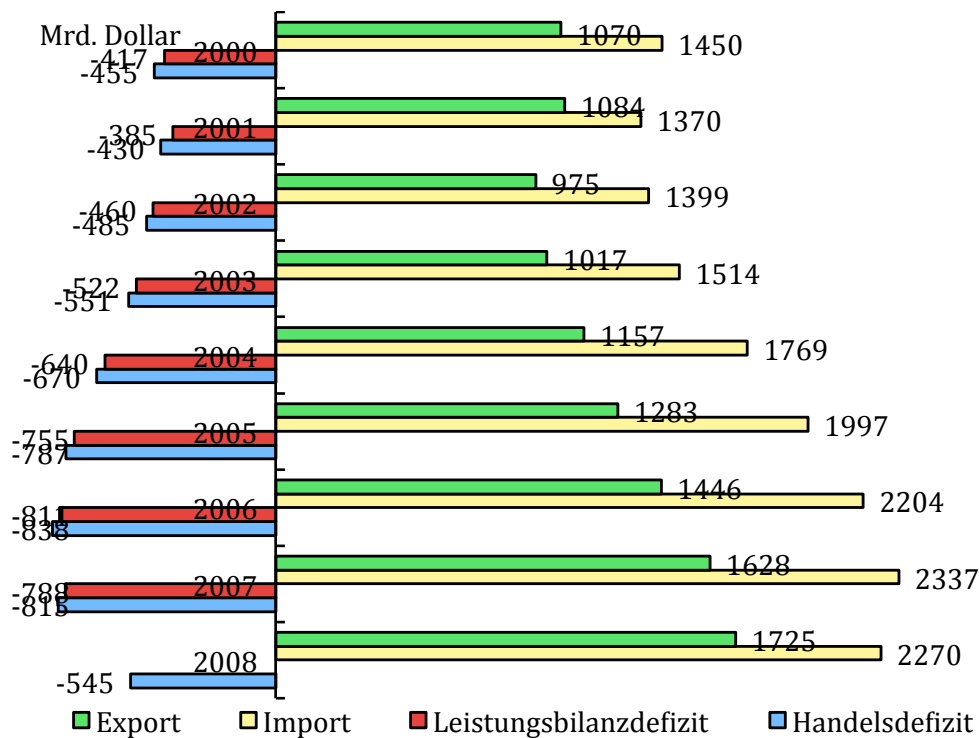


Abb. 4: Die Dynamik der Zahlungsbilanz der USA

Quelle: Census Bureau Foreign Trade Division.

Wie jede andere Inflation wurde die Dollarinflation (der Goldpreis stieg von 35 Dollar per Unze in 1946 auf 750-1000 Dollar in 2008) auf den Weltmärkten nicht nur durch eine überflüssige Emission, sondern auch durch eine bedeutende Rohstoff- und Nahrungsmittelnachfrage aus den aufsteigenden Volkswirtschaften China und Indien hervorgerufen. In den letzten sechs Jahren (bis zum Krisen-Oktober 2008) hat sich der Dollar in Bezug auf einen Währungskorb seiner bedeutendsten Handelspartner um ein Drittel abgewertet und kehrte somit auf das Niveau von Mitte der 90er Jahre zurück. Die Abwertung des Dollars brachte den USA 2007-2008 den Titel des größten Exporteurs der Welt zurück, auf den Deutschland und China ihren Anspruch erhoben. Eine Dollarabwertung um 1 % senkte die Währungsreserven der Zentralbanken Chinas, Japans und Russlands um 10, 7 bzw. 3 Mrd. In den letzten Jahren kam zu den zwei traditionellen Ursachen einer Dollarinflation – überflüssiges Geldangebot und hohe Warennachfrage - eine dritte hinzu – der Verlust des Glaubens an die Stabilität des Dollars. «Die Ära des Dollars ist zu Ende» – erklärte schon vor über einem Jahr Soros in Davos.

Internationale Maßnahme Nr. 3: Einführung einer neuen weltweiten Reservewährung, z. B. des SZR (IWF)

Das in erster Linie zwischen den USA und China bestehende Ungleichgewicht im Welthandel, welches durch private Investitionsströme noch verstärkt wird (China hat einen Leistungsbilanzüberschuss von mehr als 10% des BIPs), und das Ungleichgewicht zwischen den Erdölexporturen und dem Rest der Welt (die Erdölexporteure haben eine positive Leistungsbilanz von 12-15% des BIPs) sind zwei derzeit bedeutende Ungleichgewichte. Der existierende Kompensationsmechanismus führt zu einer reinen Übertragung finanzieller Ressourcen von den sich entwickelnden zu den entwickelten Ländern (je ca. 800 Mrd. Dollar in den letzten drei Jahren (World Economic Situation and Prospects, www.un.org)). Gerechter wäre es, bedeutende Kapitalströme aus China, Russland und den erdölfördernden Ländern zum Erwerb amerikanischer Unternehmen zuzulassen und deren Umwandlung von transnationalen in internationale Unternehmen.

Demographisches Ungleichgewicht und Migrationsbarrieren.

Viele und somit billige Arbeitskräfte in den asiatischen Ländern führten zu einer Auslagerung praktisch der gesamten verarbeitenden Produktion aus entwickelten Ländern. Die Theorie von Mill über das Gleichgewicht der Weltwirtschaft fordert die Bewegungsfreiheit aller Produktionsfaktoren, nicht nur der Güter, Technologien und des Kapitals, sondern auch der Arbeit. Aufgrund der Freizügigkeit der Arbeitskräfte aus überbevölkerten Ländern würde der Lohn in den entwickelten Ländern sinken und der Vorteil einer Verlagerung der verarbeitenden Produktion nach China und des Dienstleistungsoutsourcings nach Indien würde nicht eintreten.

Abb. 5 zeigt anhand von Prognosen der Bevölkerungsentwicklung, dass sich das bestehende Ungleichgewicht zwischen den demographischen Gegebenheiten und der Produktion weiter verschärft. Durch die Beseitigung von Migrationsbarrieren kann das demographische Ungleichgewicht gemildert werden.

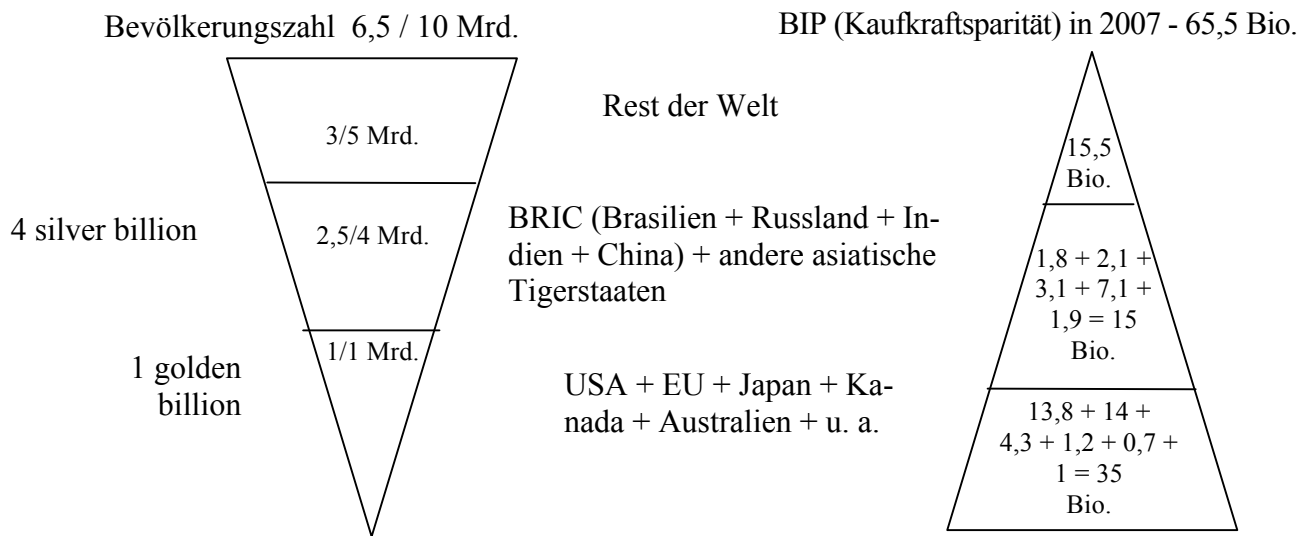


Abb. 5: Demographisches Ungleichgewicht (im Zähler 2005, im Nenner Prognose der UNO für 2050). Gemäß der Prognose der UNO verringert sich die Bevölkerung Belarus und Russlands bis 2050 auf 7 bzw. 112 Mio. Menschen.

(Quellen: www.worldbank.org, www.un.org).

Diskrepanz zwischen dem Marktwert und dem realen Wert von Unternehmen.

Überflüssige Ströme spekulativen Kapitals der TNBs wurden nach der Aufhebung von Investitionsbeschränkungen Ende des letzten Jahrhunderts zu den weltweiten Finanzbörsen geleitet, was die Unternehmenswerte stark in die Höhe trieb. Die Indizes (durchschnittlicher Wert der Schlüsselunternehmen des jeweiligen Landes) erreichten das Zehnfache vom bilanzierten Kapital (genauer unter www.worldcrisis.ru). Der Wert einiger amerikanischer Banken und Investmentunternehmen überstieg ihr Grundkapital und den Gewinn dutzende Mal. Das erste Signal der Gefährlichkeit einer solchen Situation sendete der Verfall des Marktwertes der Dotcom-Unternehmen zur Jahrtausendwende. Es wurde aber nicht wahrgenommen – das Handelsvolumen auf den Wertpapiermärkten stieg in den letzten 10 Jahren auf das Zwanzigfache.

Der Abfluss spekulativen Kapitals von den Wertpapiermärkten, der einen Fall der Börsenindizes herbeiführte, bedeutete, dass sich Unternehmenswerte auf einen Bruchteil verringerten (siehe Tab. 2). Dies störte das Verhältnis zwischen dem Eigen- und dem Fremdkapital. Je geringer der Aktienwert, desto weniger Kredite für

das Unternehmen, was eine Senkung der Planzahlen bedeutete und in manchen Fällen aufgrund der fehlenden Möglichkeit von Kreditablösungen (ein Großteil der Kredite wird mit Aktien abgesichert) zu Unternehmenspleiten führte. In 2008 reduzierten sich die finanziellen Aktiva der Welt um 5 Bio. Dollar (Quelle: Asiatische Entwicklungsbank).

Tab. 2: Der Marktwert der 10 führenden TNBs (Mrd. Dollar)

	Bank	2. Quartal 2007	20. Januar 2008
1	Citigroup	255	19
2	HSBC	215	97
3	JM Morgan	165	85
4	RBS	120	4,6
5	UBS	116	35
6	BNP Paribas	108	32,5
7	Goldman Sachs	100	35
8	Barclays	91	7,4
9	Societe Generale	80	26
10	Deutsche Bank	76	10,3
	Gesamt:	1326	351,8

Aus dem Dargestellten folgt nicht, dass ein Wertpapiermarkt nicht nötig ist – der Börsenwert von Aktien ist ein wichtiges Instrument zur Bewertung der Effizienz von

Unternehmen und der marktlichen Umverteilung von Ressourcen. Aus der Krise des Wertpapiermarktes folgt die

internationale Maßnahme Nr. 4: Man muss internationale Börsenregeln, Regeln des 21. Jh., aufstellen, die den Zugang von Spekulanten zumindest teilweise einschränken und den freien Zugang seriöser, langfristig orientierter Käufer gewährleisten. Diese Maßnahme kann durch eine nationale Maßnahme Nr. 2 ergänzt werden: Einführung einer Haltefrist für Aktien, d. h. kein Verkauf erworbener Aktien innerhalb einer halben Stunde, sondern z. B. erst nach einem halben Jahr bzw. Forderung einer Reservierung von Wertpapierinvestitionen.

4. Internationale Barrieren für die Krise (weltweiter Finanzkodex)

Das Ausmaß der Krise
erfordert das Modell Bretton Woods II,
eine Zusammenstellung des Besten,
was mit Kompetenz, Moral
und politischem Willen zusammenwirkt.

H. Keller

Die globale Krise zeigte, dass die internationalen Institute (IWF, Weltbank, UN) verpflichtet sind, neue Regeln und Rahmenbedingungen für Kapitalbewegungen auszuarbeiten, die Barrieren auf dem Weg spekulativen Kapitals aufbauen. Einzelne Vorschläge formulierten schon die Nobelpreisträger Stiglitz (Abschaffung von Risikoboni), Tobin (Steuer auf spekulative Kapitalbewegungen) und Krugman (Einführung einer Regulierung von Hedgefonds und der Märkte für Derivate) sowie der Finanzspekulant Soros (Notwendigkeit der Begrenzung der Alchemie der Finanzen). Die Erfahrung einzelner Länder, die sich erfolgreich der Krise entgegenstellen, z. B. China der asiatischen und Chile der lateinamerikanischen, sollten zusammengefasst und übernommen werden. Innovative Instrumente der TNBs (Derivate usw.) und Offshore-Banken, die praktisch keiner nationalen Aufsicht unterliegen, sollten durch

internationale Überwachungsorgane kontrolliert werden. Ein ähnlicher Beschluss wurde auf dem Gipfeltreffen der G20 in London gefasst.

Eine Analyse der Schwächen des weltweiten Finanzsystems, die nach der Asienkrise von zehn analytischen Zentren / Forschungsinstituten der Welt durchgeführt wurde, zeigte, dass Finanzkrisen praktisch immer durch einen schnellen Abfluss spekulativen Kapitals aus einem Land, was zu einer Währungs- und Bankenkrise führt, hervorgerufen werden. Die internationalen Organisationen haben eine Reihe von Maßnahmen zur Regulierung von Prozessen der Liberalisierung und Internationalisierung nationaler Bankensysteme, Möglichkeiten der Kontrolle der Bewegung ausländischen Kapitals, der Gewährleistung der Transparenz des Bankensektors sowie der Reform der internationalen Finanzarchitektur und der Finanzinstitute vorgeschlagen, aber nicht realisiert.

Das Einzige, das unter dem Deckmantel des Kampfes gegen die Finanzierung des Terrorismus und gegen die Legalisierung ungesetzlicher Einnahmen gemacht wurde, war faktisch die Abschaffung des Begriffs Bankgeheimnis.

Aber nötig waren keine kosmetischen Maßnahmen bezüglich einer hohen Transparenz kleiner, nationaler Zentralbanken und der Gold- / Währungsreserven, sondern radikale Reformen der ökonomischen Betrachtungsweise und Rolle der TNBs. Auf der Grundlage eines Monitorings von Informationen über internationale Operationen der TNBs und einer entsprechenden Analyse sollten Finanzspekulationen Barrieren auferlegt werden.

Die globale Krise demonstrierte der gesamten Welt, dass die Prozesse der finanziellen Globalisierung nicht von Deregulierungen begleitet sein sollten. Nur ein effizientes und für alle Finanzinstitute einheitliches Regulierungssystem, das der Offenheit der Finanzmärkte entspricht, erlaubt es, Auswirkungen einer Krise zu lokalisieren und zu begrenzen.

Die Reform sollte in Richtung der Ausarbeitung einer neuen Finanzordnung für die neue Weltwirtschaft des 21. Jh. gehen. Das Ziel einer solchen Reform ist die Erhöhung der Stabilität internationaler Kapitalströme und eine Senkung ihres spekulativen Charakters. Formulieren wir sechs Prinzipien zur Erreichung des gesetzten Ziels.

1. Die internationalen Institute sind verpflichtet, die rechtlichen Rahmenbedingungen für das Funktionieren der Finanzmärkte vorzugeben, die ihre Stabilität und Anpassungsfähigkeit an äußere Einflüsse sowie eine Reduzierung der spekulativen Komponente gewährleisten. Die Anpassungsfähigkeit erfordert, dass die Regeln für den Kapitaltransfer nicht einmalig für immer festgelegt werden, sondern flexibel und situationsabhängig sind: in bestimmten Situationen sollte die freie Kapitalbewegung, in anderen, genau beschriebenen Situationen deren Einschränkung zulässig sein. Diese Regeln müssen für alle verbindlich sein (*Prinzip der Legitimation internationaler Finanzorganisationen auf der Basis von Konventionen*). Bei Einhaltung des weltweiten Finanzkodexes durch die Länder sollten sie automatisch, ohne politische Bedingungen das Recht auf Nutzung von Krediten des IWF erhalten, der wiederum den Status eines Gläubigers / Geldgebers in letzter Instanz erhalten sollte. Es ist notwendig ein Organ zur Überwachung der Einhaltung des weltweiten Finanzkodexes durch die 50 größten TNBs zu schaffen.

2. Das analytische Fundament des weltweiten Finanzkodexes sollte eine neue Theorie der finanziellen Risiken sein – dies ist die

internationale Maßnahme Nr. 5: Die Anwendung von Methoden zur Risikobewertung, die sich nicht an mittleren Wahrscheinlichkeitsmaßen (durchschnittliche statistische Risiken), sondern auch an pessimistischen Maßen orientieren. Die Risiken sollten nicht nur auf der Grundlage der historischen, kontinuierlichen Prozessentwicklung bewertet werden. Vielmehr sind Methoden nötig, die es erlauben, Risiken (zukünftig) möglicher kritischer Prozessverläufe einzubeziehen (Prinzip aktueller Risiken auf der Grundlage pessimistischer Kriterien). Die Rating-Agenturen, deren alte Methoden ihre vollständige Haltlosigkeit bei den Krisen-Ereignissen 1998 und 2008 zeigten, sollten auf die neuen Methoden übergehen.

3. Bei der Ausarbeitung des neuen weltweiten Finanzkodexes sollte man nach einer Verringerung der bestehenden Ungleichgewichte streben (*Prinzip der Multipolarität*). Eine neue Verteilung der ökonomischen Kräfte erfordert die Erhöhung der Stimmenzahl der BRIC-Staaten und anderer sich dynamisch entwickelnder Länder im IWF und in der Weltbank. Faktisch ist dies beim Übergang von der G7 zur G20 geschehen. Das Londoner Gipfeltreffen zeigte, dass sich drei Pole (Blöcke) hervortaten: USA + Großbritannien, Deutschland + Frankreich + einzelne EU₂₅-Staaten, China

+ Russland + Es darf nicht sein, dass bei der Leitung internationaler Institute nur die USA die führende Rolle spielen. Ein Nebeneffekt der Krise ist, dass die EU begann, ihre gegenüber den USA unterschiedlichen finanziellen Interessen zu verstehen und sich dessen bewusst zu werden, dass die Hoffnung, den Euro zur weltweiten Reservewährung zu machen, illusorisch ist. Aber unter Berücksichtigung der neuen EU-Mitglieder – Polen und die Länder des Baltikums – ist es unwahrscheinlich, dass die EU in naher Zukunft aufhört der „moralische Vasall / Diener der USA“ (Ausdruck von M. Gane – Direktor der Pariser Schule für Sozialwissenschaften) zu sein.

4. Die Krise hob die Probleme, die mit der Kombination der Funktionen des US-Dollars als nationale Währung und weltweite Reservewährung verbunden sind, hervor. Daher wird die Idee von M. Keynes über den Ersatz des US-Dollars als Reservewährung durch eine neue internationale Währung (z. B. SZR) wieder aktuell.

Das Prinzip der Vielfalt an Reservewährungen entsprechend der Anzahl großer regionaler Vereinigungen (NAFTA, EU, GUS, SEATO mit China und Japan) ist perspektivlos. Und zwar aus dem Grund, dass eine Reservewährung nicht nur eine Kapitalbewegungs- und Zahlungsfunktion im Welthandel ausüben muss, sondern auch eine Funktion der Preisbildung für die wichtigsten Waren auf den Weltmärkten. Als eine zeitliche Maßnahme verdient unter Krisenbedingungen die Erfahrung Chinas und Belarus bezüglich eines Austauschs von Swaps für Zahlungen in den nationalen Währungen Aufmerksamkeit. Es ist klar, dass bei einem Übergang zu einer neuen weltweiten Währung der Dollar und regionale Währungen geschwächt werden.

5. Die finanzielle Stabilität in der Welt erfordert schnelle klare Handlungen bei minimalem Krisen-Rummel in den Massenmedien – es hat keinen Zweck eine Panik in der breiten Masse zu schaffen (*Prinzip der gesellschaftlichen Rationalität des Verhaltens*). Unqualifizierte Kommentare in der Presse trugen weitgehend zur Dynamik und zum Ausmaß der Krise bei, sprengten das Vertrauen der Finanzinstitute untereinander und der Bevölkerung in sie, provozierten eine Panik der Anleger. In einem Welt-Finanzkodex sind unbedingt Kennzahlen / Indikatoren für Finanzinformationen zu vereinbaren, sowohl transparente als auch für die breiten Massen unzugängliche (Reserven, Interventionen u. ä.). Es ist ein neues Anreizsystem für rationales Verhalten der Finanzmarkt-Teilnehmer zu schaffen, insbesondere ist das Anreizsy-

stem der Investmentbanker zu ändern – Boni sollte nicht direkt von den Gewinnen abhängen, da ein solcher Ansporn maßlos riskieren lässt, wobei das Risiko bei den Banken verbleibt.

6. Als Sicherheitskissen in Krisen dienten früher Gold- / Währungsreserven der Länder, meist in US-Dollar. Im Falle, dass kumulierte Disproportionen / Missverhältnisse zu einem Absturz des Dollars führen, verlieren Dollarreserven (in China fast 1 Bio.) einen bedeutenden Teil. Daher wollen China und Russland den IWF überzeugen, die Funktion einer Welt-Zentralbank auf der Grundlage einer neuen Welt-Reservewährung auf sich zu nehmen. In diesem Falle entfällt die Notwendigkeit einer großen Anhäufung von Devisenreserven durch die sich entwickelnden Länder. Es ist eine neue Konzeption der Währungsreserven der Länder nötig, sowohl hinsichtlich ihrer Struktur als auch hinsichtlich der Instrumente (*Prinzip nationaler Reserven* und nicht der Gold- / Devisenreserven der Zentralbank). Es sollten nicht alle staatlichen Ersparnisse der Zentralbank anvertraut werden (auch nicht unter der Kontrolle des Finanzministeriums). Bei der Zentralbank sollte aus operativer Sicht nur ein zur Unterstützung des Wechselkurses unbedingt nötiges Minimum verbleiben, alles andere sollte in souveräne Fonds zur Verwaltung staatlicher Ersparnisse überführt werden. Besonders wichtig ist das für Russland, sich mit der Suche nach alternativen Investitionsformen – anderen als Dollar-Aktiva – zu beschäftigen (die Erfahrung von Singapur, China und der Arabischen Emirate).

Russische Unternehmen konnten im Ausland soviel Geld leihen, wie der Staat an ausländischen Aktiva angesammelt hatte. Russland handelte nach dem Schema „Erdöl-Erdgas-Dollar“ (0,5 Bio. Dollar der Gold- / Währungsreserve) dorthin, Kredite (0,5 Bio. Dollar) hierher. Es ist offensichtlich, dass die russischen Unternehmen und Banken für Kredite dreimal mehr zahlen als die Regierung und die Zentralbank aus amerikanischen (die Hälfte der Reserven) und europäischen (die zweite Hälfte) Obligationen verdienen. Sogar bei der staatlichen Gazprom entnahm das Finanzministerium Gas-Dollar und schickte sie in die USA, und Gazprom selbst lieh zu einem wirklich hohen Zinssatz Milliarden Dollar von TNBs. Die Währungsreserven Russlands und Chinas haben sich schon gegenüber Rohstoffen entwertet (CRB-Index). Absurd ist die Situation dadurch, dass die durch russische Unternehmen geliehenen Milliarden Dollar jetzt sowieso aus staatlichen Reserven beglichen werden (die Alfa-Gruppe erhielt 2 Mrd. Dollar, die Unternehmen von Deripaska – 4,5 Mrd. Dollar). Die

Einsparungen bei einem Erhalt allein dieser beiden Kredite von einem souveränen Fonds würden 200 Mio. Dollar betragen. Nicht umsonst äußerte sich der Präsident Sarkozy über die Notwendigkeit der Schaffung eines souveränen Fonds Frankreichs.

5. Nationale Beschränkungen der globalen Krise (am Beispiel von Belarus)

Eine Analyse der derzeitigen globalen Krise und zurückliegender, z. B. der Asien-Krise 1978, zeigt, dass folgende Hauptmechanismen zu ihrem Einfluss auf nationale Volkswirtschaften beitragen:

- 1) die Unterbrechung des Zuflusses und Abfluss ausländischen Kapitals in Form von Portfolioinvestitionen und Auslandsanleihen (Staat, Banken, Unternehmen);
- 2) die Reduzierung von Exportmöglichkeiten aufgrund eines Nachfragerückgangs bei den Handelspartnern, die früher von der Krise erfasst wurden.

Eine parallele oder sequentielle Wirkung dieser Mechanismen führt zu einem Einbruch der Wertpapierindizes und Währungskurse und zur Insolvenz von Banken und / oder Unternehmen in Abhängigkeit von der Struktur der Auslandsanleihen. Der sich während der Mexiko-Krise 1995 gezeigte Ausbreitungseffekt (contagion effect) besteht darin, dass eine Krise auch eine gesunde Volkswirtschaft erfassen kann. Der Ausbreitungseffekt kann als Änderung der Stimmungslage der Investoren bezüglich der Volkswirtschaft von Belarus unter dem Einfluss der Finanzkrise, sagen wir in Island, definiert werden. Kern des Ausbreitungseffektes ist, dass in sich entwickelnden Volkswirtschaften Banken oder Unternehmen mit Hilfe von Banken kurzfristige Darlehen in ausländischer Währung von ausländischen Investoren aufnehmen. Wenn alles gut geht, dann nimmt man die Gelder aus dem Ausland, investiert sie in langfristige Projekte auf dem Inlandsmarkt und erzielt Gewinne. Die Erwartungen der Investoren bestimmen aber den weiteren Gang der Dinge im Voraus. Wenn die Investoren unter dem Einfluss einer Panik eine Erneuerung / Verlängerung der Kredite ablehnen und eine Rückzahlung der in langfristige Projekte investierten Gelder verlangen, so führt die Flucht des Kapitals zu einer Abwertung der nationalen Währung. Die Abwertung erhöht die in Inlandswährung ausgedrückten Werte ausländischer Unternehmensschulden (z. B. stieg die kurzfristige Verschuldung in Belarus nach einer 20%igen Abwertung per 01.01.2009 um 7 Bio. Belorus-

sischer Rubel). Es beginnt eine Währungs- und im Anschluss eine Bankenkrise (Krisen-Zwillinge).

Nationale Maßnahme Nr. 3: Mit dem Ziel einer Regulierung der Anhäufung kurzfristiger Schulden in Devisen sind aus dem Zufluss kurzfristigen Kapitals Reserven einzuführen (chilenische Erfahrung – 30% für 1 Jahr).

Die Weltwirtschaftskrise begann ab Oktober 2008 auf die belorussische Wirtschaft überzugreifen, und zwar als die Nachfrage der Handelspartner Russland, Ukraine, Lettland und Litauen sank, was zu einer Verringerung des Exports und entsprechend der Währungserträge (Abb. 5) führte. Die Situation verschärfte sich dadurch, dass die Nachfrage nach Importen nicht adäquat sank. Die Regierung reagierte mit einer Senkung der Konsumentenkredite und einer Erhöhung der Zölle.

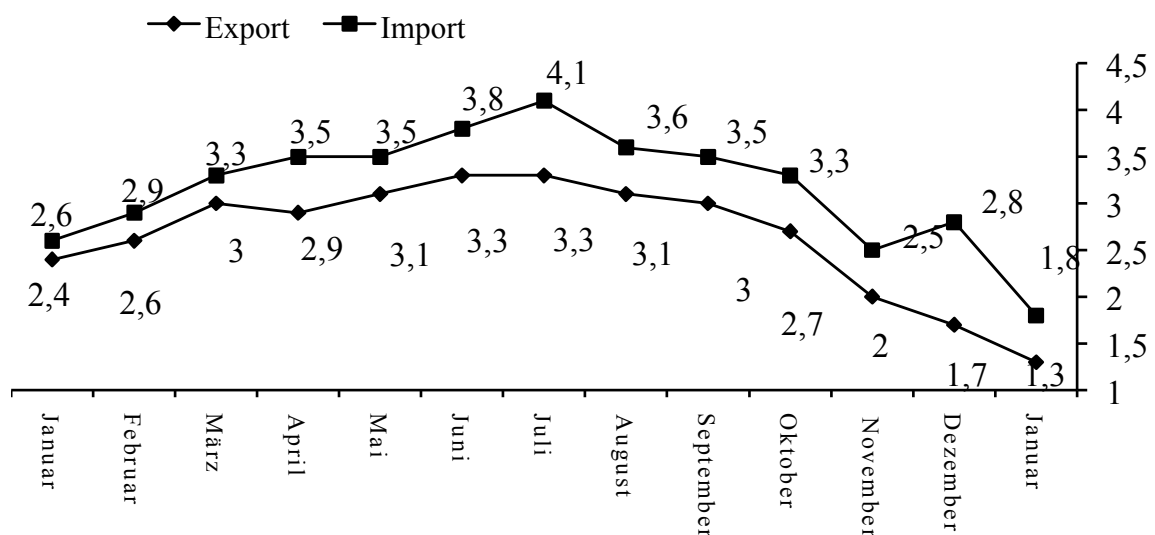


Abb. 6: Monatlicher Import und Export von Waren in 2008

Das Problem des Handelsbilanzdefizits bei Waren und Dienstleistungen und somit der Leistungsbilanz (Abb. 6) nahm zu.

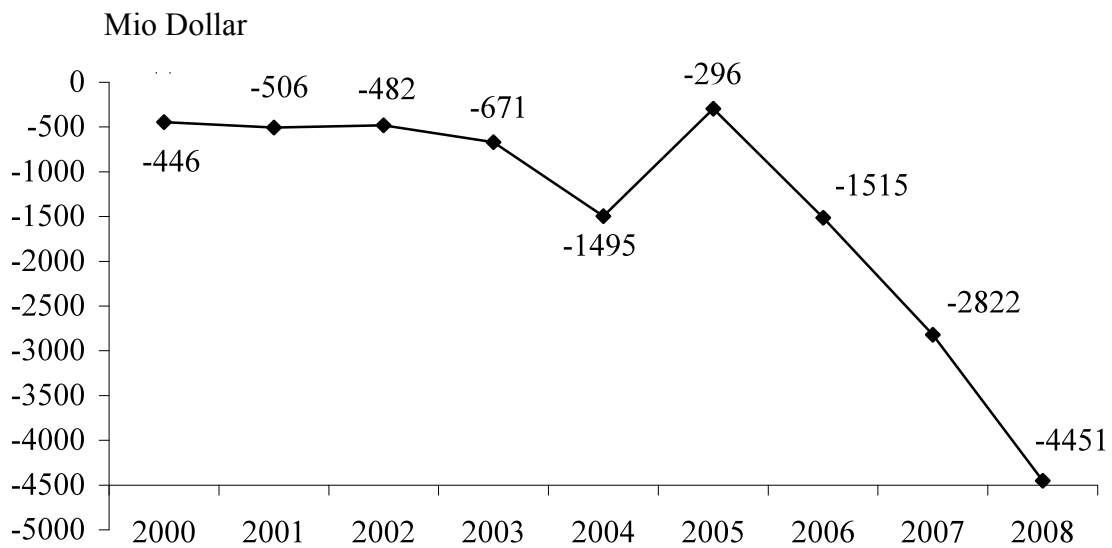


Abb. 7: Saldo der Handelsbilanz von Waren und Dienstleistungen

Hinzukommt, dass die Nationalbank sogar unter den Bedingungen eines Handelsdefizits ihre reinen ausländischen Aktiva (Abb. 7) durch den Währungsankauf im Rahmen eines obligatorischen 30%igen Verkaufs erhöhte. Im Ergebnis verringerten sich die ausländischen Aktiva der Geschäftsbanken rasant und wurden negativ.

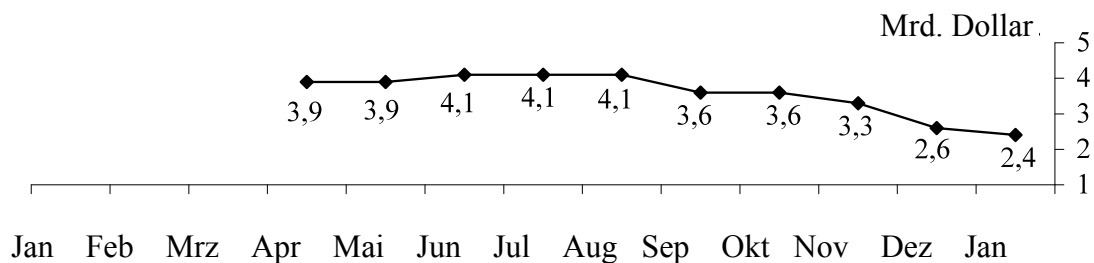


Abb. 8: Entwicklung der Reserven in ausländischer Währung (nach der Methode des IWF)

Die für eine Deckung der Zahlungsbilanz notwendigen Devisen wurden aus dem Ausland von Banken (im Wesentlichen kurzfristige Anleihen) und Unternehmen (noch kurzfristigere Anleihen) herangezogen. Im Ergebnis zog der Anstieg der Devisenreserven der Nationalbank einen Anstieg der Bruttoauslandsverschuldung des Landes nach sich (Abb. 8). Dies ist ein typisches Phänomen für ein Land, in dem die

Zentralbank und nicht das Finanzministerium die Gold- / Währungsreserven verwaltet.

Im Ergebnis bekam Belarus Ende 2008 zwei Probleme: das alte – der Import übertraf den Export, was durch den Nachfragerückgang im vierten Quartal 2008 in den GUS- und ihren Nachbarstaaten, den Mitgliedern der EU, heftig verstärkt wurde – und ein neues – die Rückzahlung kurzfristiger Schulden (in 2009 ca. 8 Mrd. Dollar).

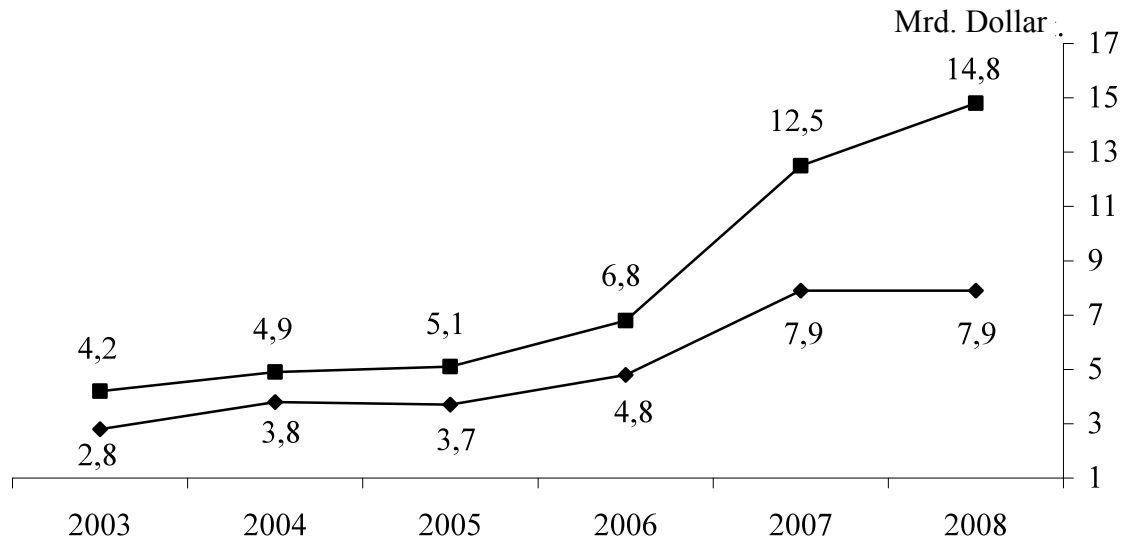


Abb. 9: Bruttoauslandsverschuldung (einschließlich kurzfristiger Schulden zum Jahresende). Die Auslandsverschuldung pro Einwohner betrug Ende 2008 in Belarus 1,5 Tsd. Dollar. Zum Vergleich: in Litauen – 10,7 Tsd., in Lettland 17,8 Tsd., in Estland – 20,2 Tsd.

Das Beispiel von Belarus zeigt, dass sich die Tiefe des Effekts der Ausbreitung der Krise mit dem Leistungsbilanzdefizit und der Dynamik der Anhäufung kurzfristiger Verpflichtungen in ausländischer Währung (in 2008 verebbte das Wachstum kurzfristiger Schulden aufgrund der Zugangsbeschränkung zu Neuaufnahmen) verschärft.

Die Auswirkungen einer Abwertung der nationalen Währung und Maßnahmen zur Begrenzung einer Währungskrise. Unter den Bedingungen eines Nachfragerückgangs nach Exportgütern gilt die Währungsabwertung als ein Standardmittel zur Exportstimulierung, die automatisch die Exporteinnahmen in der Landeswährung erhöht und die Möglichkeiten ihrer Realisierung auf ausländischen Märkten erweitert. Gleichzeitig erhöht eine Währungsabwertung die in Landeswäh-

rung gemessenen Ausgaben für Importe und reduziert somit die Einfuhren. Im Ergebnis verbessert sich theoretisch die Handelsbilanz.

Die Erfahrung von Belarus zeigt, dass eine Währungsabwertung nur eine hohe Inflation hervorruft (großer Koeffizient der Importfähigkeit / -kapazität einer Volkswirtschaft), einen Abfluss der Einlagen in Landeswährung aus den Banken und ihren Umtausch in den Dollar stimuliert (innerhalb von drei Monaten vor und nach der Währungsabwertung wurde fast ein Drittel der Einlagen in Landeswährung in ausländische Währung überführt) und sich somit als bedeutender Druck für die Währungsmärkte erweist.

Daher ist die Beziehung des Autors zu einer Währungsabwertung negativ. Abgesehen von einer sozialen Explosion (Verlust von Einlagen in Rubel, Rückgang des in Dollar umgerechneten Lohnes, Probleme der Rückzahlung von Dollar-Krediten) tritt der erwartete Effekt dieser Maßnahme nicht ein, da die Anteile des Imports und Exports am BIP ungefähr gleich hoch sind. Besonders empfindlich gegen die Abwertung sind stark importfreundliche Volkswirtschaften mit unelastischer Nachfrage nach Importgütern (sogar nach der Abwertung überstieg im Januar 2009 der Import von Konsumgütern (269,7 Mio. Dollar) den Export (248,2 Mio. Dollar)). Gemäß dem Modell von Bernanke / Gertler stellt eine starke Währungsentwertung in einer offenen Volkswirtschaft einen Grund für eine sich selbst auslösende Krise dar.

Nationale Maßnahme Nr. 5: Verwirklichung einer makroökonomischen Politik, die darauf ausgerichtet ist, einer Abwertung der Landeswährung vorzubeugen.

Ein Blick zurück zeigt, dass die Abwertung des russischen Rubels 1998 den belorussischen Export nach Russland um ein Drittel reduzierte und erst nach 5 Jahren, nämlich 2003, das Ausgangsniveau wieder erreicht werden konnte (siehe Abb. 9). Eine Abwertung des russischen Rubels ist für Belarus besonders gefährlich, da sie die Devisenerträge der belorussischen Unternehmen enorm verringert. 2008 konnte sich Belarus nicht gegen die ernsthafte Währungsabwertung der wichtigsten Handelspartner (Russland, Ukraine), nach der die belorussischen Erzeugnisse auf den besagten Märkten noch teurer wurden, behaupten. Der Verfall des russischen Rubels reduzierte die in Dollar umgerechneten Einnahmen belorussischer Unternehmen heftig. Daher, in Folge des Beschlusses über eine ernsthafte Abwertung des russischen Rubels (ca. 36% zum bivalenten Warenkorb: Dollar, Euro) kam es zu ei

ner einmaligen 20%igen Abwertung des belorussischen Rubels. Dies war eine notgedrungene Reaktion auf äußere Schocks.

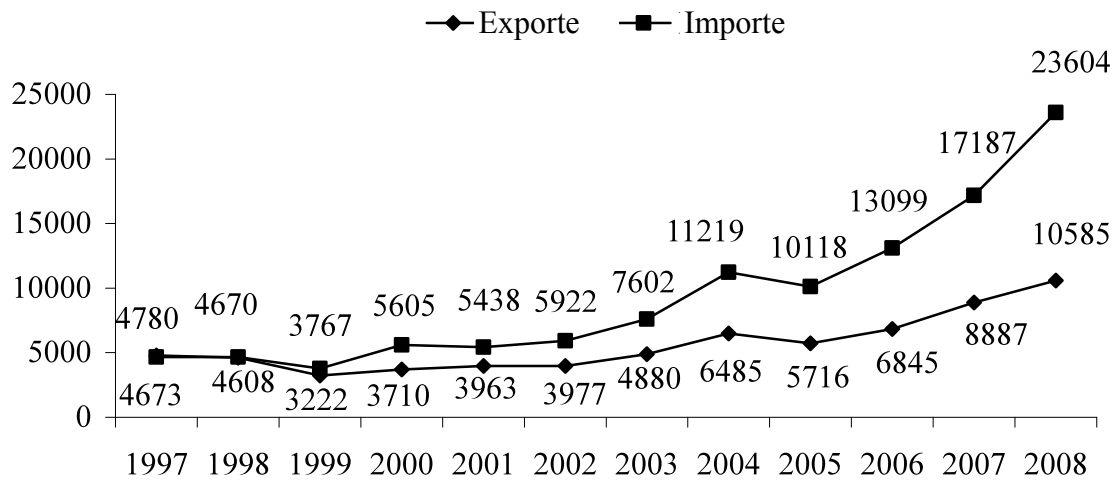


Abb. 10: Export und Import der Republik Belarus nach Russland (Mio. Dollar)

Die Notwendigkeit einer Erhöhung der belorussischen Devisenerträge aus der Erdölverarbeitung (siehe Abb. 10) erfordert mehr Transparenz der Arbeit dieser Branche, eine Vereinfachung der Kompensationsverfahren, Erfolge bei den Vereinbarungen mit Russland über die Abschaffung der Zölle an der Grenze mit Belarus mit der Garantie einer vollständigen Kompensation nach dem Export der Erdölprodukte. Die Schwankung der Erdölpreise bedroht Belarus nicht so sehr, da die belorussische mengenmäßige Differenz aus der Verarbeitung von 20 – 21 Mio. Tonnen Erdöl in 15,1 – 15,2 Mio. Tonnen nach Europa verkaufter Erdölprodukte nicht so empfindlich gegenüber den Preisschwankungen ist.

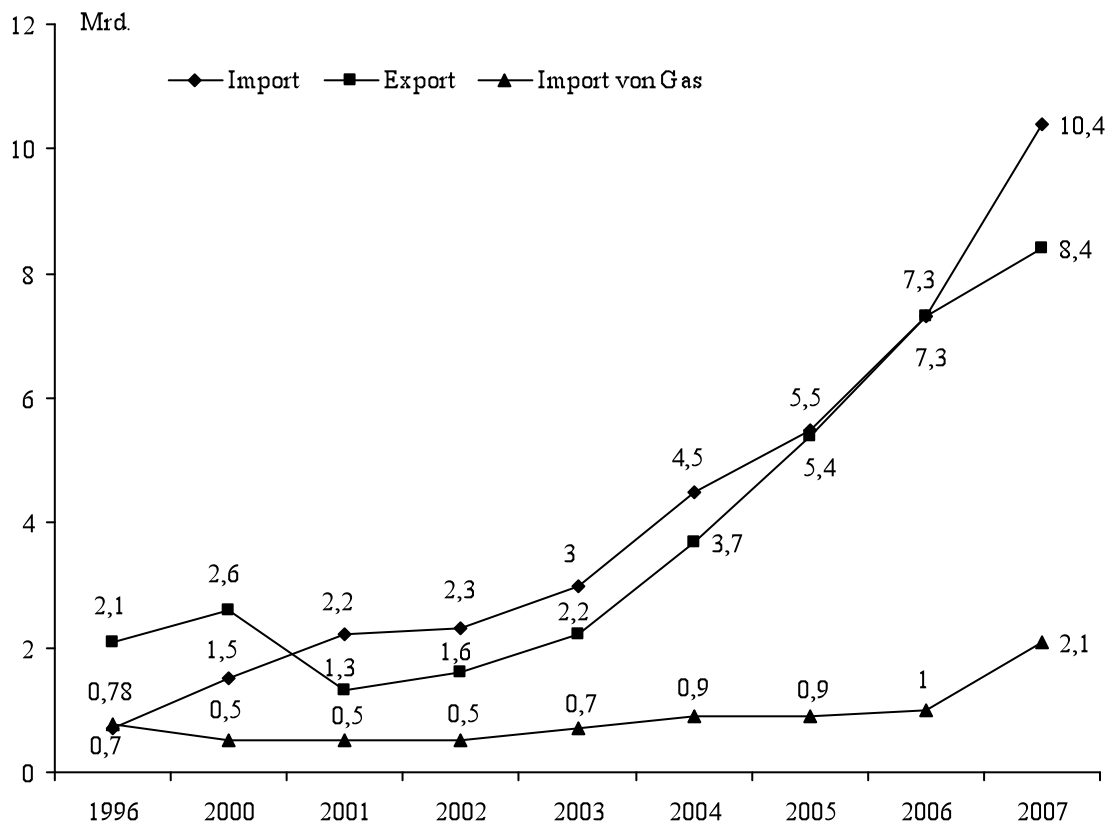


Abb. 11: Wert belorussischer Exporte und Importe (Kraftstoff, Erdöl und Erdölprodukte sowie Erdgasimport)

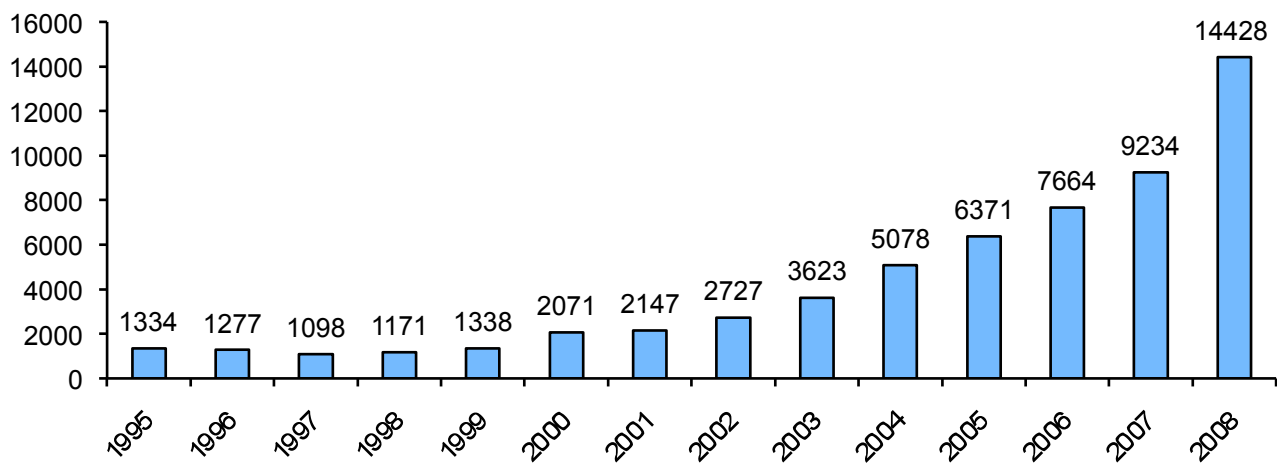


Abb. 12: Belorussische Exporte in die EU-Länder

Nationale Beschränkungen spekulativer Kapitalbewegungen. Die Unterbrechung / Einstellung ausländischer Kreditgewährungen, das Zurückziehen von Kapital durch ausländische Investoren und das Fehlen von Möglichkeiten zur Ablösung von Unternehmenskrediten bremsen unvermeidlich die Investitionsentwicklung und das ökonomische Wachstum.

Für belorussische Unternehmen, deren kurzfristige Auslandsschulden (bis zu einem Jahr) ca. 8 Mrd. Dollar betragen, entstand das Problem der Kreditablösung. Im Zusammenhang mit den Schwierigkeiten, neue Auslandskredite zu erhalten, und der Notwendigkeit von Kreditprolongationen in Problemsituationen muss der Staat in Krisenzeiten seine Kreditgarantien erweitern.

In der Zukunft ist es unumgänglich, die zeitliche Struktur des Kapitalimports durch die Einführung von Mindestlaufzeiten für Auslandsanleihen und Portfolioinvestitionen zu verbessern.

Begrenzungen der Bankenkrise. In Belarus machten die Einlagen der Bevölkerung ein Drittel der Bankbilanz aus. Das Dilemma der Geldpolitik besteht in Krisenzeiten darin, ausreichend Liquidität bereitzustellen und Kreditmärkte zu beleben, ohne eine Währungskrise und eine heftige Abwertung zuzulassen. In Belarus sanken im Dezember 2008 aufgrund von Abwertungsgerüchten die Einlagen der Bevölkerung in nationaler Währung um 18%, 2009 hob die Nationalbank den Refinanzierungszinssatz auf 14% bei gleichzeitiger Senkung des Zinssatzes für Einlagen in ausländischer Währung durch die Banken auf 8-10%. Nichtsdestoweniger konvertierte die Bevölkerung sogar nach der Abwertung noch 16% der Einlagen in nationaler Währung in ausländische Währung. Hinzu kommt das Recht der Aufgabe und Rücknahme von Termineinlagen auf Anforderung des Kunden, was unter den Bedingungen einer Krise und Panik bei den Anlegern das Bankensystem außerordentlich gebrechlich werden lässt. In Anbetracht der Gefahr einer Bankenkrise veranlasste die Notwendigkeit, die Bevölkerung zu beruhigen, viele Länder dazu, die staatlichen Garantien für Einlagen auszuweiten – die Mehrheit der EU-Länder ersetzte ein Limit von 20 Tsd. Euro durch 100%ige Garantien, die USA ersetzte ein Limit von 100 Tsd. Dollar durch 250 Tsd. Dollar. Die Republik Belarus führte eine 100%ige Garantie für Einlagen der Bevölkerung, einschließlich Nicht-Ansässiger, ein. Aber im Unterschied

zu den genannten Länder ist in Belarus, wie bereits erwähnt, eine Bank verpflichtet, Termineinlagen innerhalb einer fünftägigen Frist nach Anforderung durch den Kunden zurückzuzahlen, was die Gefahr eines spekulativen Zu- und Abflusses ausländischen Kapitals schafft, auch mit dem Ziel eines Bankenbankrotts. Eine derartige 100%ige Garantie sollte im Laufe der Zeit durch das Verbot einer vorzeitigen Rücknahme der Einlage ergänzt werden. Für ausländische Anleger sollte außerdem eine Mindestanlagezeit (z. B. mindestens 6 Monate) eingeführt werden. Anderenfalls verlieren die Begriffe einer augenblicklichen und laufenden Liquidität für die belorussischen Banken ihren Sinn.

Anti-Krisen-Haushaltspolitik

Zur Stimulierung der Inlandsnachfrage innerhalb eines kurzen Zeitraums betätigen die nationalen Regierungen zwei Hebel: 1) eine auf den Anstieg der Nachfrage nach inländischen Waren zielende Erhöhung staatlicher Ausgaben und 2) eine Anregung / Ankurbelung privater Initiativen. Beide Hebel stehen teilweise im Widerspruch zueinander: es ist schwierig gleichzeitig die Staatsausgaben zu erhöhen und die Steuern zur Stimulierung der Geschäfte zu senken (Theorem von T. Haavelmo). Im von Steuern übersättigten Belarus (mit Rentenabzügen – insgesamt 48% des BIPs) ist eine Verstärkung des steuerlichen Drucks nicht effektiv und daher ging der Staat einerseits zu einer Vereinfachung der Steuern (einheitlicher Einkommenssteuersatz von 12%, Abschaffung kleiner Steuern) und andererseits zu einer Optimierung staatlicher Ausgaben über.

Die ersten Anti-Krisen-Haushalts-Maßnahmen waren auf die Stärkung der zwei staatlichen Banken des Landes ausgerichtet (zusammen kontrollieren sie 70% der Bankenaktiva). Zweitens wurden 18% der Haushaltsausgaben einbehalten. Eine Verringerung der Einkommenseite des Haushalts wurde durch eine Reduzierung des Wachstumstempos des BIPs und durch eine teilweise Steuerbefreiung der Unternehmen hervorgerufen.

Unserer Ansicht nach, ist die Stimulierung der Unternehmen mittels Steuerbefreiung, d. h. durch fallende Haushaltseinnahmen, weniger effektiv als direkte (infrastrukturelle) Investitionen und soziale (Haushalts-) Ausgaben. Investitionen in die

Infrastruktur sind in der Lage, eine Grundlage für langfristiges Wachstum zu schaffen. Eine Beseitigung grundlegender infrastruktureller Probleme (Metrobau, Kommunikation) kann wie ein Staatsprogramm zur Schaffung von Arbeitsplätzen angesehen werden. Ein staatliches Programm zur Unterstützung kleiner und mittlerer Unternehmen kann als Hauptrichtung die Reduzierung von Mietzahlungen auswählen. Soziale Ausgaben konzentrieren sich ökonomisch korrekt auf Vorzugskredite für den Wohnungsbau, der einen bedeutenden synergetischen Effekt aufweist. Sie müssen aber auch ergänzt werden durch Vorzugskredite für ärmere Schichten (Rentner, Landbevölkerung) für den Kauf hochwertiger Güter (Kühlschränke, Fernseher u. ä.). Die an ärmere Familien adressierten staatlichen Ausgaben werden nicht auf Sparkonten „eingefroren“, nicht für Devisen oder Importwaren ausgegeben, sondern sie werden die Inlandsnachfrage stimulieren.

6. Stand und Perspektiven einer stabilen Geschäftstätigkeit in Belarus

Das 2007 beschlossene und aus 52 Schritten bestehende Regierungsprogramm zur Wirtschaftsentwicklung hat schnell begonnen das Investitionsklima und das Geschäftsumfeld zu verbessern. Der durchschnittliche Anstieg des belorussischen BIPs von 2005 bis 2008 betrug 9,4 % und war der höchste der MOE-Staaten. Zum Vergleich: in Russland, der Ukraine und Polen betrug er – 5,6 %, 3,1 % bzw. 5,4 %.

Es entwickelt sich der Sektor der KMUs – 2008 waren hier 12,7 % der Arbeitnehmer beschäftigt und seine Erzeugnisse und Dienstleistungen machten 8,6 % des BIP aus. Der Zufluss ausländischer Direktinvestitionen stieg 2008 um 28,9 % und betrug 2,23 Mrd. Dollar. In Belarus gibt es 4218 Unternehmen mit ausländischem Kapital, 43 % davon mit Kapital aus EU-Ländern. In den nächsten Jahren ist im Zusammenhang mit den geplanten Privatisierungsprogrammen (zurzeit werden ca. 70 % des BIP in staatlichen Unternehmen produziert) ein bedeutender Zuwachs ausländischer Investitionen zu erwarten.

Gemäß dem Bericht der Weltbank «Doing Business 2009» kletterte Belarus 30 Plätze im Ranking nach oben, vom 115. Platz in der Welt auf den 85., und belegte den 4. Platz unter den TOP-10 Reformern. Der Präsident verfolgt das Ziel, nach 2010 eins der 30 investitions- und steuerattraktivsten Länder der Welt zu sein.

Gemäß dem UNO-Entwicklungsprogramm ist Belarus ein Land mit einem hohen Niveau der menschlichen Entwicklung und belegt den 64. Platz in der Welt nach dem Index der menschlichen Entwicklung. Nach Angaben der Weltbank waren 2007 die Reichsten 10 % der Bevölkerung 5,6 – 5,9 Mal vermögender als die Ärmsten 10 % der Bevölkerung und bei den Nachbarn von Belarus: Litauen – 10, Lettland – 12, Ukraine – 9 und Russland 16,8 Mal. **Im Zusammenhang mit der Krise werden vermehrt Anstrengungen zur Unterstützung von KMUs unternommen** (Entbürokratisierung der Anmeldung, Kontrollmoratorium in den ersten 3 Jahren der Tätigkeit, Stimulation von Kreditgewährungen – Subventionen an Banken für günstige Konditionen für KMUs, Abschaffung des für Privatunternehmen schwierigen Systems der Preisbildung und Lohnkalkulation).

Anhang

Belarus: Selected Economic Indicators, 2005-10 1/

	2005	2006	2007	2008	2009	2010
	(Annual percentage change, unless otherwise specified)					
National accounts and employment						
Real GDP	9.4	10.0	8.2	10.5	1.4	2.3
Total domestic demand	11.0	13.9	12.8	14.3	-2.2	1.3
Consumption	10.1	9.0	9.7	10.7	-0.7	1.4
Private	15.0	13.0	13.3	14.0	-1.0	1.5
Public	0.4	-0.2	0.5	1.2	0.0	1.0
Investment	13.3	26.2	19.5	21.4	-4.9	1.0
<i>Of which: fixed</i>	19.5	26.5	19.7	20.8	-5.0	1.0
Net exports 2/	0.1	-7.9	-0.8	-6.9	3.9	0.9
Consumer prices						
End of period	7.9	6.6	12.1	13.7	11.5	8.0
Average	10.3	7.0	8.4	14.9	15.7	6.1
	(In percent of GDP)					
External Debt and Balance of Payments						
Current account	1.4	-3.9	-6.8	-7.6	-5.4	-3.6
Trade balance	-1.7	-6.1	-9.1	-9.6	-8.6	-7.4
Exports of goods	53.3	53.7	54.3	57.2	52.5	54.1
Imports of goods	-55.0	-59.8	-63.4	-66.8	-61.2	-61.5
Gross external debt	17.0	18.5	28.0	25.3	32.4	33.9
Public 3/	2.6	2.3	6.6	5.9	11.8	13.1
Private (banks and state-owned enterprises)	14.4	16.3	21.5	19.4	20.6	20.8
Savings and investment						
Gross domestic investment	28.5	32.2	33.2	36.2	32.9	32.8
Public	9.4	9.6	8.6	11.2	8.0	9.5

Private	19.1	22.6	24.6	25.1	24.9	23.3
National saving	29.9	28.3	26.4	28.7	27.4	29.2
Public	-0.7	1.4	0.4	-0.5	0.3	-0.7
Private	30.6	26.8	25.9	29.1	27.2	29.9

Public sector finance

Central government balance	-1.7	0.4	-0.6	-0.8	0.0	-1.0
General government balance	-0.7	1.4	0.4	-0.5	0.3	-0.7
Revenue	47.4	49.1	50.0	52.2	48.9	48.5
Expenditure	48.0	47.6	49.6	52.7	48.6	49.2
<i>Of which</i>						
Wages	8.1	8.2	8.0	6.9	6.4	6.4
Subsidies and transfers	9.0	9.0	10.6	10.6	9.6	8.8
Investment	9.4	9.6	8.6	11.2	8.0	9.5

(Annual percentage change unless indicated otherwise)

Terms of Trade	12.3	3.9	-2.5	8.7	-3.5	1.6
Real Effective Exchange Rate	-0.1	-2.0	-4.4	-1.1	-4.8	-3.5
Official reserves (millions of U.S. dollars)	1,297	1,383	4,182	2,865	5,204	8,085
Official reserves (months of imports of goods and services)	0.9	0.7	1.6	0.8	1.7	2.3
Official reserves (percent of short-term debt)	39.3	31.6	56.8	33.5	62.2	91.5

Sources: Belarusian authorities; and IMF staff estimates.

1/ Assumes exchange rate re-peg to a basket of currencies within a horizontal band, the upfront adoption of policies to reduce domestic demand.

2/ Contribution to growth.

3/ Gross consolidated debt of the public sector (general government, central bank, and guarantees extended to non-financial public enterprises).

COMPETITIVENESS OF THE RUSSIAN ECONOMY DURING THE WORLD ECONOMIC CRISIS

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1. Introduction

After a decade of high growth, the Russian economy is experiencing a slowdown in the wake of the global financial crisis. While Russia's strong short-term macroeconomic fundamentals make it better prepared than many emerging economies to deal with the crisis, its underlying structural weaknesses and high dependence on the price of oil make the impact of the crisis more pronounced than otherwise.

Russian President Dmitrii Medvedev has called for Russia to use the current world economic crisis to improve competitiveness¹. "The global financial crisis - is, in fact, a test of our competitiveness. During the past years our competitiveness, in whole, has grown. In particular, we were able to maintain a relatively high rate of growth in labour productivity, 6-7 per cent. But we are still only approaching being a competitive economy."²

Russia's leaders have said repeatedly they see the crisis as part of a large shift in the international balance of power. The emerging economies, especially in Asia, will have to "assume the task to unravel the world economic crisis," Medvedev said in remarks published ahead of the late November 2008 summit of the Asia-Pacific Economic Cooperation forum in Peru. These economies will, he says, "become leaders in the post-crisis period." Russia wants to be on the winning side of this transformation.³

Economists - like Zeljko Bogetic, Head Economist for Russia, at The World Bank, say Russia has a long way to go...

¹ See reports on Russia's competitiveness by World Economic Forums

² Published at the Russian President website on November 21, 2008 – <http://www.kremlin.ru>, see also, Charles Clover. *Medvedev says crisis is a test*. FT. March 15 2009

³ Ibid.

"This is a long-term structural concern that is related to a narrow industrial base that Russia has, and this has to be addressed long-term in order to avoid that high level of vulnerability."

Everyone agrees Russia has to diversify its economy to be more competitive - but how to do it has no simple answer.

According to the World Economic Forum's **Global Competitiveness Index for 2008 and 2009**, of the 134 countries listed in the rating, Russia came in at No. 51. This was worse than India (No. 50) and China (No. 30). Among the BRIC countries, Russia surpassed only Brazil (No. 64). Russia made a decent showing in only few categories – extraordinary wealth of her natural resources, macroeconomic stability and the size of the market (the ninth-largest in the world).

Some prominent critics of Vladimir Putin's policies in Russia claim that most alarming is the quality of state institutions and regulatory mechanisms that deteriorated the most during the time that Putin was building his two key government institutions: the power vertical and sovereign democracy.⁴

Russia's level of corruption also worsened markedly during that period; its corruption rating plummeted from No. 71 place in 2002 to No. 147 place in 2008 as the total amount of government kickbacks increased to \$250 billion to \$300 billion annually. What is s more, the state's bureaucratic machinery increased by 80 percent over the past eight years. Critics further make a point that the Government's anti-crisis measures of March 19, 2009 were "perfectly clear: Prime Minister Vladimir Putin and his cohorts refuse to make any structural reforms to the existing political and economic system. They believe that Russia can emerge from the crisis in exactly the same form as it entered – with the same state monopolies, the same oligarchs and, most important, the same political leadership under the same power-vertical structure. While giving lip service to reforms -- such as creating an innovation economy, developing small businesses and a middle class, improving health care and education... - nothing has been done on these projects".⁵

⁴ A Former MP Vladimir Ryzhkov, 31 March 2009, [The Moscow Times](#)

⁵ Ibid

Even after living high on the hog for eight years with petrodollars gushing into state coffers and access to inexpensive Western credit, Russia has failed to raise its global competitiveness and efficiency. One year ago, leading economists at Russia's Academy of Science found that during those eight years the country failed to diversify its economy and to develop the high-tech sector. In fact, Russia's economic dependence on natural resource exports only increased during this period and its infrastructure fell into further decline.

Some Russian academics and liberal politicians do make emphasis that there are no references to these harsh realities in the Putin's anti-crisis plan – 'as if Russia lives a fairy-tale existence'. Nor will you find any reference to the need to demonopolize the economy, improve transparency among state institutions or improve conditions for doing business and for attracting direct foreign investment. And yet another point of criticism is the so-called 'international dimension' of the crisis, e.g. comparison of the Russia's policies with measures developed in 'other centers of power' China, the European Union and the United States which are taking concrete steps to achieving higher levels of development.⁶

While Russia's largest economic and political competitors are taking concrete steps to come out of the crisis as stronger, more efficient and innovative countries, Moscow assumes a passive, inert position. Meanwhile, it gets giddy over every \$1 rise in the price of oil and still hopes to return to the "safe harbor" of Russia's primitive, corrupt, oil- and gas-fueled authoritarianism.

Less politically biased experts represent more optimistic scenarios by making analogy with previous financial crisis in Russia in 1998 - even been tackled by then Russian leadership with many mistakes and in much more difficult situation, the crisis stimulated greater competitiveness of the Russian economy. For instance, World Bank experts believe that though the short-term macroeconomic stabilization

⁶ For example, the Chinese are taking advantage of crisis-induced bargain prices to buy up advanced technologies for its 10 priority economic sectors, and for the first time in its history it is providing pensions and medical care to 800 million Chinese peasants. The EU has stepped up the implementation of the Lisbon Strategy for increasing the EU's competitiveness, and it has already approved an ambitious energy-saving program called "EU-2020." U.S. President Barack Obama has made energy efficiency for the country and the raising of the U.S. economy to new technological and innovative levels top priorities and will implement major reforms in education and health care.

has remain immediate priority for the Russian authorities which continue to adjust their short-term policy responses to changing economic circumstances, the crisis also presents an opportunity to address the medium- to longer term challenges of competitiveness, economic diversification, and financial sector modernization that are necessary to boost growth and living standards. This would ensure that Russia emerges from this global crisis with a stronger basis for dynamic, productivity-led growth and is better placed to take advantage of global integration.⁷

At the same time, Russians, it seems, at last have an answer to the question they have been asking since the economic collapse of 1998: Can anything approaching that crisis happen again? The vast hard-currency reserves they accumulated during years of high oil and gas prices (and thanks to conservative fiscal policies) make it hard to imagine that Moscow might default on its debts anytime soon. Yet the very fact that this crisis has engulfed the country at a moment of high confidence in the future has made it in some respects even more shocking. Debate about how it is being handled, how far it will go, and what changes it will bring with it is becoming intense and much more open.

Russians remember, after all, that 1998 was not only an economic calamity but a political crisis--perhaps the low moment of the entire presidency of Boris Yeltsin. It toppled the government, ended the political careers of key liberal policymakers, and actually brought Communists back into the cabinet. It offered a hearing to protectionist demands for Russia to insulate itself against the fluctuations of the international economy. It revived talk of the need to hew to Russia's collectivist traditions, rather than to alien Western ideas about markets and the primacy of the individual.

This paper will focus on three things: first, recent economic developments in Russia will be evaluated; second, a brief comparison will be made between the financial crises of 1998 and of 2008, and, third, Russia's economic competitiveness will be assessed in light of on-going anti-crisis measures.

⁷ Russian Economic Report 17. World Bank. November 2008.

2. Recent Economic Developments

As an American expert in Russian and Eurasian Studies Stephen Sestanovich correctly suggested,

“Any international economic crisis afflicts different countries in different ways, but an unfortunate few experience every painful dimension of it. In the current crisis, Russia is confronting virtually all the negatives at once--sharply declining export earnings from energy and metals, over-leveraged corporate balance sheets and a chorus of bailout appeals, a credit crunch and banking failures, a bursting real-estate bubble and mortgage defaults, accelerating capital flight, and unavoidable pressures for devaluation.”

The Russian stock market is down 70 percent from late spring 2008. The government has burned through more than 20 percent of its foreign-exchange reserves since August. The outflow of capital in October 2008 alone was \$50 billion. 2009 year's budget was based on a projected average price for oil of \$95 per barrel; but later budget planners have to work with forecasts of \$50 or lower. Since Finance Minister Alexei Kudrin has said that Russian government spending goes into deficit at \$70 per barrel, pressures for spending cuts are starting to mount. Severe reductions have already been announced in housing and education programs. Russia's economy contracted at an annual rate of 8.8 per cent in January 2009, according to the economy minister Elvira Nabiullina.⁸

These data might seem to be the case for serious concerns about Russia's future and prove the point made by liberal critics of Putin's domestic politics about 'lost opportunities' over eight years of high prices on major Russia's trading goods. But at the same time Russia's strong macroeconomic fundamentals, prudent fiscal policy reached during Putin's era, and lack of exposure to the US-sub-prime crises have partially protected its economy and helped limit the impact of the global financial crises. Thanks to low sovereign debt, large twin surpluses (fiscal and external current account), one of the world's largest international reserves, and favorable rating agency assessments, until mid-2008, foreign investors viewed Russia as a 'safe haven', fairly 'decoupled' from worsening global financial environment (see

⁸ Charles Clover, Russian Economy Hit by 8.8% Decline. *FT*. February 25 2009

Table 1). By building significant fiscal and reserve cushions relative to most other emerging markets, Russia has also managed to delay and limit the impact of the global crises. The World Bank Report stated that it is now clear that if Russia had not entered the current global financial crises with such a strong fiscal surplus and large resources accumulated in the stabilization funds and foreign reserves, the impact of the crises would have been much quicker and more severe than is currently the case. Equally important, the Russian government would have much less time, resources, policy options and room for maneuvering to limit the impact of the crisis on the real economy and its competitiveness.

Tab. 1: Main macroeconomic indicators, 2003-2008

Indicators	2003	2004	2005	2006	2007	2008
GDP growth, %	7,3	7,2	6,4	7,4	8,1	8,0
Industrial production growth, y-o-y, %	8,9	8	5,1	6,3	6,3	5,4
Fixed capital investment growth, y-o-y, %	12,5	13,7	10,9	16,7	21,1	13,1
Federal government balance, %GDP	1,7	4,3	7,5	7,4	5,5	8,1
Inflation, % change	12	11,7	10,9	9	11,9	11,6
Current account, billion USD	35,4	58,6	84,2	95,6	76,6	91,2
Unemployment, %	8,6	8,2	7,6	7,2	6,1	5,3
Reserves (including gold) billion USD	76,9	124,5	182,2	303,7	478,8	475

Source: Rostat, Central Bank of Russia, Ministry of Finance

World Bank experts identified four major related shocks that transmitted the current global crisis to Russia:

First, the intensification of the global crisis caused a sudden stop and then a reversal in capital flows as investors fled to quality across world markets, including Russia.

Second, the global credit crunch has affected Russia's banking system, which faces its own liquidity problems against short-term external repayment obligations.

Third, a sharp drop in the price of oil began to erode Russia's fiscal and external account surpluses and very large international reserve buffer.⁹

Fourth, Russia's stock market experienced a massive decline – largely reflecting the global loss of confidence and the precipitous drop in prices of oil – losing two thirds of its value in the less than five months to November 2008.¹⁰

These shocks are slowing domestic demand – the engine of Russia's economic growth – posing new policy challenges in a dramatically different external and domestic environment from just a half year ago. According to the World Bank, the main policy challenge is to limit the inevitable impact of the crisis on the real economy while safeguarding hard-won gains in macroeconomics, especially fiscal stability.

On the supply side, tradable sectors were the first to register slower growth, but non-tradables are also slowing from very high growth rates. The rapid increase in wages, outpacing productivity growth, and the appreciation of the currency continued to undermine the competitiveness of tradables. Tradables grew by 3.4 percent in the second quarter of 2008, down from 5.2 percent in the first quarter of 2008 (see Table 2). By contrast, nontradables expanded by 9.5 percent in the first half of 2008, driven by a strong consumer demand in construction and retail trade. Even the booming construction sector growth slowed to 18.7 percent in the second quarter of 2008, from 28.3 percent in the previous quarter. And there are signs that growth in construction will continue to decelerate sharply with the ongoing tightening of credit conditions. The data on production growth in the main sectors indicate a continuing sharp decline in construction growth during the last quarter of the year – only 8.5 percent, down from 15.7 percent during the same period in 2007.

⁹ Crude oil prices fell dramatically from \$144 a barrel to below \$55 a barrel in mid-November 2008 and have stabilized at the \$50 a barrel by spring 2009. Since July 2008, the rapidly worsening global financial crisis and the declining oil prices have cooled Russian economy.

¹⁰ Russian Economic Report, pp.3-4

Tab. 2: GDP growth by main sectors, 2003-2008 (value added)

GDP growth	2003	2004	2005	2006	2007	2008Q1	2008Q2
Total GDP growth	7,3	7,2	6,4	7,4	8,1	8,5	7,5
Tradable sectors	8,9	6,3	3,5	2,6	4,6	5,2	3,4
Agriculture, forestry	5,5	3,0	1,1	3,6	3,1	3,2	3,2
Extraction industries	10,8	7,9	0,5	1,6	0,3	1,5	-1,0
Manufacturing	9,5	6,7	6,0	2,9	7,4	7,6	5,6
Nontradable sectors	7,2	7,3	7,3	9,8	9,8	9,9	9,1
Electricity, gas, water production and distribution	1,6	2,0	1,2	4,7	-1,9	5,3	1,7
Construction	13,0	10,3	10,5	11,6	16,4	28,3	18,7
Wholesale and retail trade	13,2	9,2	9,4	14,6	12,9	11,9	11,7
Financial services	9,6	9,9	11,9	10,3	11,4	9,7	9,7
Transport and communication	7,2	10,9	6,2	9,6	7,7	9,8	9,4

Sources: Rosstat, World Bank

Labor markets are still tight but likely to soften. Real wages continue to outpace productivity growth, undermining competitiveness, but wage growth has begun to moderate while unemployment – a lagging indicator to real economic activity – has declined further. According to Russian Statistical Agency, in 2008 average real wage growth was 12.8 percent, down from 16.2 percent during the same period in 2007. Unemployment declined to 5.3 percent, indicating that the economic slowdown has not yet reached the labor market (Table 3). But this happened in the end of 2009 as large, non-tradable and labor-intensive sectors such as construction and trade delay the execution of existing and new projects and adjust to higher borrowing costs, more difficult access to credit, uncertain demand, therefore, and lower profit margins. Similarly, the ongoing restructuring of the banking sector increases the number of unemployed reached more six million people by March 2009.

Tab. 3: Incomes and unemployment, 2003-2008

	2003	2004	2005	2006	2007	9m-2007	9m2008
Real disposable income growth,%	14,9	9,9	8,8	10,2	10,7	10,4	7,8
Real wage growth,%	10,9	10,6	10	13,4	16,2	16,2	12,8
Average monthly wage, USD	179.4	237.2	301.6	394.7	529	495	693
Unemployment (% , ILO)	8,6	8,2	7,6	7,1	6,1	5,6	5,3

Source: Rosstat

Banking sector represents a potential risk for the economy. While the overall share of short-term external debt of Russia remains low, accounting for less than 20 percent of total external debt, the share of short-term debt in private financial institutions is significantly higher at around 40 percent (Table 4). High levels of short-term debt make private financial institutions that were able to tap into international capital funding, vulnerable to the rollover risk and sudden changes in investment sentiments. Given the fragmented Russian banking system and the large number of small banks, orderly consolidation can contribute to a stronger and healthier banking sector emerging after the crisis. Russia's external debt maturing in the second half of 2008 is around \$100 billion. After including on-demand deposits held by the banking sector, the total debt that requires repayment or refinancing exceeds \$120 billion. The external debt maturing for the entire 2009 fiscal year is around \$100 billion. Certain sectors, especially private financial corporations, are likely to face challenges in rolling over their external debt. In addition, higher prices for debt refinancing are inevitable. Furthermore, a sharp drop in stock values that were used as loan collateral have resulted in sizeable margin calls on lending facilities with 1-2 year maturities. Even so, systemic risk to the banking sector, according to the World Bank Report, while rising, appears limited because of the government's resolve to support systematically important banks.

Tab. 4: Russia's external debt (\$ billions)

	2008 Q1			2008 Q2		
	Total	Of which short-term	Short-term: share of total	Total	Of which short-term	Short-term: share of total
Public sector-total	182,9	16,9	9,24%	195,3	18,5	9,47%
government	36,9	1,6	4,34%	34,7	1,6	4,61
Monetary authorities	4,1	4,1	100%	4,2	4,2	100%
Public banks	67,4	11,2	16,62%	78,2	11,9	15,22
Public non-financial sector	74,5	0	0%	78,2	0,8	1,02%
Private sector-total	294,1	76,5	26,01%	331,9	84,6	25,49%
Private banks	104	44,6	42,88%	114,6	48,6	42,41%
Private non-financial sector	190,1	31,9	16,78	217,3	36	16,57%
Aggregate	477	93,4	19,58%	527,1	103,1	19,56%

Sources: Central Bank of Russia, World Bank

3. Comparing the financial crises of 1998 and 2008

Russia is facing its greatest financial crises since the August 1998 debt moratorium and analysts have drawn similarities between 1998 and 2008 by looking at the stock market dynamics. The common denominator between 1998 and 2008 is one of the key triggers – namely the global economic slowdown and the decline in the price of oil – demonstrating the continued, high vulnerability of the Russian economy to fluctuations on the world markets. Russian Index RTS is now more dependent on changes in oil prices : the pairwise correlation between RTS index and the price of oil increased from 0,6 in 1998 to 0,8 in 2008. In Russia's response to the crisis of 2008 there have been a few echoes of 1998, including a generous share of anti-Western rhetoric. But this is where similarities stop.

The duration, severity and impact of these crises are likely to vary due to the vastly different underlying vulnerabilities of the economy as well as policy responses. In 1998, Russia had fiscal deficits and mounting interest payments, high levels of public debt, weak growth prospects, and low reserves. Moreover, fiscal imbalances coupled with a fixed exchange rate – an especially vulnerable policy mix. By contrast, in 2008, macroeconomic vulnerability was much lower due to two main factors. First, since 1998, Russia has implemented important reforms, prudently managed public finances, created sizeable stabilization fund and liberalized foreign exchange system. This contributed to the strengthening of the financial system and to achievement of large fiscal and external account surpluses, and low levels of debt. In addition, the banking system today is much stronger and better supervised. Second, thanks to the high oil prices in the last decade, Russia possesses the third largest foreign reserves in the world, which provide a hefty buffer against shocks. As a result of these factors, Russia is now better prepared to deal with the shocks arising from the world markets.

The type of policy responses and costs of the crises also differ. In 1998, the government reacted by devaluing the ruble and defaulting on its debt obligations. By contrast, in 2008, the government responded swiftly by boosting liquidity, providing capital injections to the banking system, and ensuring the repayment of external obligations by banks and enterprises. These measures aimed to prevent a wave of panic selling amid fears of large losses. Regarding the parties bearing the

costs of the crises, in 1998 the private sector assimilated most of the cost of the crises, whereas in 2008, the cost will mainly be assimilated by the public sector through substantial fiscal and quasi-fiscal costs (Table 5)

Tab. 5: Similar triggers but different context, 1998 vs 2008

	1998	2008
Triggers	Asian financial crises Decline in oil prices Inconsistencies between fiscal and exchange rate policies	Global credit crisis Decline in oil prices
Context	Low external reserves Weak fiscal position Stock market played a small role in transmitting the impact of the crisis to the real economy Barter and non-payments played a large role in the economy	World's third largest external reserves Strong fiscal position Stock market is now more vulnerable to changes in oil prices, and plays a larger role in transmitting the impact of the crisis to the real economy The economy is now a 'cash' economy and does not longer rely heavily on barter schemes

The 1998 crisis has generated large-scale capital flight, continuing depreciation of the ruble against the U.S. dollar (about 75 percent since August 1998), dramatic inflation (100 percent since August), and a falling GDP. Russia's 1999 GDP decreased to \$120 billion, and debt repayment obligations to the West totalled \$17 billion, about 14 percent of GDP.

In 2008 Russian authorities have taken resolute enough measures to alleviate the impact of this crisis, partly copying the moves taken in the developed countries and yet acting differently in some points.

From the very start, steps were taken to avert a collapse of the lending system, and this was a natural consequence of the lessons learnt from the 1998 crisis. The banks received substantial financial resources for overcoming the liquidity crisis. On the one hand, these measures were aimed at supporting production activity, as the availability of lending resources, not the stock market, is a source of growth in the real sector in Russia. On the other hand, stability of the banking system is directly linked to the task of maintaining social and political stability in the country. The loss in bank deposits of private individuals will be much more painful and politically dangerous than any losses in the stock markets.

Dubious schemes, quite naturally, cropped up, too. The banks that received liquidity money from the government preferred to convert as much of it as possible into foreign currency so as to secure themselves against currency risks or to use it as an instrument of reducing their debts to foreign lenders. Such conduct was economically grounded yet ran counter to the intentions of the monetary authorities which issued the money. Also, there were situations where the redistribution of the money issued by the government was effectuated with the aid of bribes, which cannot but cause astonishment given the fact that a resource in short supply was distributed at a discounted price. (Unlike primary borrowers, second-tier borrowers were supposed to get the money at a price that would be slightly bigger than the interest at which the primary money was distributed.)

The government tried to prop up stock market indicators to a certain degree, but it had to give up the idea very soon. Although the dynamics of the stock market indicators is always impressive and stirs dramatic passions, it is not the sphere where the state should concentrate its resources. Supporting the stock market in this situation meant only one thing – helping fleeing investors withdraw money from this country by selling securities. True, devaluation of shares is unpleasant for shareholders and creates problems with margin calls, but the solution of this problem lies in a different plane.

The latter problem was especially painful, as the debts of Russian companies to foreign lenders posed a real threat of an outflow of Russian assets – into the hands of those who were crisis-stricken themselves.

The fast economic growth in the past few years was largely due to the availability of inexpensive money resources in the world market. Russian companies borrowed them eagerly. But the inexpensiveness of money does not make investing more efficient, especially when one looks at companies linked to the state. The understanding that the state will not let these companies die at a critical moment lubricates the issuance of loans to them.

The situation has changed, however. There are no easily accessible loans any more, while the securities collateralized against loans are devaluating. (This was another mistake made by Russian borrowers who easily agreed to collateral schemes, although the Russian economy's performance over the recent years made it possible to do without collaterals in many cases.) A total of \$43 billion was to be paid off on these debts before the end of the year, and the state said it was ready to make available the funds of around \$50 billion through Vneshekonombank (VEB) to get out of the situation. Still, a question is looming: Was the mechanism of utilization of the funds correct? Allocation of money to debtors for repayment of their debts is far from the most efficacious way of resolving the problem. It would have been much better if the VEB had bought up these debts. Steps of this kind would help these companies, above all, to increase their capitalization in the future and reduce the spreads on these debts.

The exchange-rate policy was dubious, too. The authorities did not venture – obviously for political reasons – to fully give up support for the ruble's exchange rate, which resulted in a sharp slimming of foreign exchange/gold reserves. The reasons for the cautiousness are quite clear: devaluation of the national currency – a third over the past twenty years – would not facilitate the growth of trust in the government. But the opposite situation, i.e. the exhaustion of resources, looks no less risky. I believe that prevention of considerable devaluation of reserves has a much greater importance for ensuring stability of the Russian economy than the steadiness of the national currency. More than that, gradual lowering of the ruble's rate would serve as a lifeline for domestic producers, defend the Russian market against imports, and create additional incentives for an inflow of foreign direct investment in the future.

And yet a policy like this naturally invites resistance of those who have sizable debts denominated in foreign currencies. A weakening of the ruble is synonymous with a hike of the price of their debts. These powerful forces have enough clout for lobbying their interests. The issuance of money for buying out their debts should have made them mitigate their stance. In a word, apart from being an important economic indicator, the dynamics of the exchange rate will also be a political indicator in the next few months, as it will create a real balance of forces between the main economic players.

Finally, the government offered a package of incentives, above all taxation ones, for supporting the development of the real sector. There are serious doubts as to the efficiency of this package, as the shortage of money is not the main problem in the manufacturing sector. The core problem is the faulty functioning of economic mechanisms and, as a result, the inefficiency of many producing industries. Although bountiful money injections can make the current social problems less intense, they will not resolve the problem of making production more efficient and renovating the structure of the economy. And without this the crisis will only get more dragged-out.¹¹

4. Steps to increase Russian competitiveness

In November 2008 Prime Minister Vladimir Putin chaired a meeting of the Government's Council on Competitiveness and Entrepreneurship. The idea was as follows:

"Efforts to streamline the sphere of competition are called on to improve Russian economic patterns, to facilitate the more effective performance of its sectors and separate enterprises, to provide substantial incentives for reducing outlays and improving the quality of our goods and services and developing small and medium businesses."

¹¹See, Vladimir Mau. The Global Crisis As Seen from Russia, *Russia in Global Affairs*. № 1, January - March 2009

The Council on Competitiveness and Entrepreneurship discussed an issue of creating competition incentives. The Government has been working actively in this direction for a long time. But during the financial crisis, this issue is becoming particularly important. One of the most important steps was to prevent traditional protectionism. According to Putin,

We are now implementing an entire range of measures to support domestic industries. But it is obvious that we might achieve diametrically opposite results, if these measures are not backed by a consistent policy aiming to promote competition and to make the economy more effective. We are not using the crisis to strengthen the Russian economy and to boost its qualitative development. On the contrary, we will mothball ineffective and uncompetitive production facilities at the expense of state support measures.

Efforts to streamline the sphere of competition are called on to improve Russian economic patterns, to facilitate the more effective performance of its sectors and separate enterprises, to provide substantial incentives for reducing outlays and improving the quality of our goods and services and developing small and medium businesses.

Putin also referred to the **Law On Competition which was passed in 2006**. Tougher administrative liability has been introduced for violating this law. The application of new legislation has already yielded certain results. For instance, this concerns the creation of modern law-enforcement and court proceedings. Business leaders generally accept the changes positively, while healthy competition is gradually turning into an important tool for raising labour productivity, encouraging investment in new technologies and business optimisation schemes.

However, Putin noted, **the competition in Russia's economy is clearly insufficient**, while cases of abusing one's dominating position and other mala fide business practices are still rather frequent. According to Russia's federal anti-trust regulator, a total of 1,590 cases of market power abuse and 226 collusion cases were exposed in 2007.

Growing international competition should also be taken into consideration. Russian companies should be prepared to meet the tight requirements.

Current plans to promote competition can be divided into two major blocks.

The first block includes protecting competition with a strong anti-trust policy. The plan has in fact stemmed from working on additional anti-trust measures. They include a crackdown on cartels and greater punishment for government and corporate officials for violating competition rules, even up to criminal prosecution.

The second block has to do with shaping competitive markets. The Government proposed a systematic action plan for that. The first priority is to create a favourable environment for new and effective economic operators.

The measures stipulated in the Programme are aimed at attaining these goals. Its basic points can be sum up in the following way. First, Government should have to work faster on removing administrative barriers hampering the development of entrepreneurship. In particular, it needs to work more intensively on building an information support system for businesses, that is, expand and diversify market reports and price indicators published by the authorities. The move will take away, or at least lessen illegal advantages of businesses benefitting from informal contacts with officials.

Another pressing issue is dealing with the mala fide practice of illegally granting special privileges to companies which are "close" to the federal or local governments, while putting up artificial barriers for their rivals. This often happens when placing federal or municipal orders. Unfortunately, the frequency of such cases is on the rise - up 17%, to 2,970 exposed in 2007.

Third, the sectors where unfair competition has reached a systemic level, directly hurting people's interests and hindering business development, require special attention. The most damaging effect in late 2008 have had jet fuel pricing policies, for example, exorbitant fees for connection to power grids, the markets for coking coal and petrochemicals, public utilities and other sectors.

Putin called for tailor-made "pinpoint" solutions in those cases with the goal to approve regulations for non-discriminatory access to services of natural

Competitiveness of the Russian economy during the world economic crisis - Nikita A. Lomagin
monopolies, as well as customs and tariffs regulation measures. The draft Programme envisages measures to encourage competition in 17 sectors.

Fourth, the Programme also emphasises competition policies aimed at encouraging small businesses. It is an important current economic and social policy issue, because this sector plays a significant role in creating jobs. Small and medium-sized businesses will be given access to federal and municipal orders, as well as to natural monopolies' and state corporations' supply contracts.

Finally, the Programme envisions improvement of the legal framework of anti-trust policies. Not all actions currently formally qualified as breach of antitrust law are really violations.

Indeed, Russia's present financial difficulties are likely to force Moscow to accelerate economic integration with the West, which will force the Kremlin to moderate its foreign policy. Last year, then President Putin issued an updated economic development strategy for 2020, which envisioned Russia as sporting one of the globe's five largest economies and acting as an international.

5. Conclusion

Russia's first challenge is to limit the overall impact of the crisis on liquidity and the real economy while not losing control of the public finances and not letting inflation get out of control. Though it is a delicate balancing act, Russia is better prepared today to deal with these new challenges than at any time since the beginning of the transition. Prudent fiscal policy over the last decade has permitted accumulating substantial international reserves (\$475 billion in November 2008), a fiscal surplus around 8,1 percent (January-September 2008), a ratio of external short-term debt to total international reserves of around 0,18 (2008Q2), and a fairly low overall external debt of 35,9 percent of GDP.

The second challenge is to intensify the efforts to diversify the economy, strengthen institutions as well as the financial sector for sustained long-term growth. Oil and gas exports continue to account for more than two thirds of Russia's export revenues and more than 15 percent of GDP. Despite strong macroeconomic

fundamentals, structural weakness in the banking sector and a limited economic base make Russia vulnerable to highly correlated, multiple shocks of a decline in oil prices, a sudden reversal in capital flows, and a drop in the market sentiment and the stock market.

Thus, "It's important to realize that Russia is still a commodity-based economy," said Klaus Rohland, the World Bank Country Director for Russia. "The medium-term challenge and strategy of Russia would be to move to a more diversified, competitive economy."

Prudent fiscal management and substantial financial reserves have so far protected Russia from deeper consequences of this external shock. Zeljko Bogetic, Lead Economist for Russia, noted: *"the government's swift, comprehensive, and coordinated policy response so far has helped limit the impact of the crisis. However, a prolonged slowdown could necessitate a further fiscal stimulus package in 2009."*¹²

The third challenge is to continue the integration into the global economy, including the acceleration of accession to the WTO. A key source of investment and growth in the past years has been long-term equity and debt from foreign investors. The WTO accession can be used as a means towards locking in domestic reforms, ensuring that Russia benefits from rules-based international trading regime as well as to strengthen Russia's participation in global governance by improving its policies and institutional capacity.

The fourth challenge is to limit the impact of the crises at the regional level and be vigilant to the emergence of non-payment problems.

Finally, demographic problems might hit Russian economy in the long run. Indeed, Russia's long-term prospects remain bleak. Since the collapse of the Soviet Union, Russia has suffered not just a birth dearth, but a sharp rise in mortality rates and drop in life expectancy, what Nicholas Eberstadt of the American Enterprise Institute calls a "great leap backwards." Russia's population was 145 million in

¹² Russian Economic Report 17. World Bank.

<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/RUSSIANFEDERATIONEXTN/0,contentMDK:21985855~menuPK:305618~pagePK:2865066~piPK:2865079~theSitePK:305600,00.html>

2002, but fell to 142 million this year. The United Nations figures that Russia's population is going to drop another 10 million by 2020.

Obviously, demographic and health trends can change, but Moscow's problems are systematic and fundamental. Any turnaround likely will take years. As Eberstadt puts it, "this is not the portrait of a successfully and rapidly developing economy—much less an emerging economic superpower." A declining population will have serious geopolitical consequences as well. For instance, the relative depopulation of Siberia, adjoining far more populous China, could leave Russia's expansive eastern territory at risk.¹³

When production falls and unemployment rises in Russia, many of the Gastarbeiter, or guest workers, that have been needed to fuel the boom are usually sent home. For countries of the Caucasus and Central Asia, which have provided most of this enormous transient labor force (some estimate more than one million workers in Moscow alone), this will be a huge jolt. Quickly, Russia will go from being an important safety valve for socioeconomic discontent to a source of it. In the short term, Russia's neighbors will doubtless see this reflux of their own citizens as a reason to maintain good relations with Moscow, in hopes of winning coordinated management of a potentially dangerous problem. In the longer term, however, they may consider it a measure of their continuing and unwelcome vulnerability to fluctuations in the Russian economy—and of the need to reduce that vulnerability if they can.¹⁴

In his recent article 'Russia, forward!', President Medvedev made it clear that the country has already learned the lesson out of this crisis - a will take one lesson out of this crisis - Russia is too dependent on commodities prices and it is necessary to diversify the economy, it is necessary to think about small and medium enterprises, less inspections, more transparency, more freedom for enterprises, longer-term reforms for the pension fund.

¹³ Doug Bandow. *The Russian Hangover*. October 27, 2008. - www.nationalinterest.org
Doug Bandow is the Robert A. Taft Fellow at the American Conservative Defense Alliance. A former Special Assistant to President Ronald Reagan, he is the author of *Foreign Follies: America's New Global Empire* (Xulon Press).

¹⁴ Stephen Sestanovich, *Russia and the Global Economic Crisis*, November 25, 2008

Speech by Dmitrii Medvedev. Opening Remarks at Meeting of the Commission for Modernisation and Technological Development of Russia's Economy. August 31, 2009

“The Commission’s main task is to draw up and implement projects that will shape the system and lay the foundations and principles of state policy in this sector and remove the numerous obstacles in the system.

What needs to be done first? There are several tasks.

First, we need to plan and prepare selection procedures and criteria for the projects the working group will follow.

Second, we need to draw up a register of these projects, that is, we need to define our priorities in this area.

Third, we need to make effective use of the export potential and financial possibilities of various organisations, including Rusnano (Russian Corporation of Nanotechnologies (RUSNANO), the Venture Corporation and existing market institutions in general.

We have not made much progress in setting up national centres to work on the priority technological development areas. There is little to report so far. We need to establish centres for developing innovative medical equipment and medicines. Incidentally, the owners of this enterprise have the idea of establishing a modern centre of this type right here as part of the pharmaceuticals cluster that has already taken shape to some extent in the Vladimir Region, and that there are plans to develop. This is a good idea overall. They also want to get the best specialists involved in this project, not just specialists working here in Russia, but also those who have left to work abroad. These are top-class professionals. They think it would be possible to attract them back with the help of a clear system of incentives – scientific opportunities plus a salary at European level or higher.

Another relevant issue today is the way money is being spent on buying products for state and municipal needs. How are the procurement orders drawn up today? I

think that, despite the effort that has been made in this area, the situation has still not yet been completely straightened out. By making this spending more effective we would increase the market volume and thus increase demand for the medicines and equipment that we produce. But at the same time, we also need to examine the issue of applying restrictive measures - anti-monopoly measures - to producers of certain types of pharmaceutical products if the need arises.

The second subject on our agenda is strategic information technology. Essentially, we began discussing this subject at the meeting in Sarov [on July 22, 2009]. But it was just one thread in the overall discussions there, even if an important one. Today we will continue this discussion. This subject has also come up on numerous occasions at meetings of the Security Council, Government, and State Council. We have a basic document – the Information Society Development Strategy.

State spending on computerising the country is now at a comparable level to that of the developed European countries. This is at once good news and bad news. The good news is that, if we take Russia and Germany, say, we spend a similar share of our GDP on this work, but the bad news is that in Russia this money spent is producing precious little result. This is something I have said before, and I say again now that the situation is quite simply unsatisfactory in this area.

I said at the meeting of the Council on the Information Society that our information rating, our electronic preparedness rating, is very low, and despite the fact that we keep investing in this area our rating is only getting worse. There are more than sixty or seventy countries ahead of us now.

The use of modern information technology, access to quality public services in this area, and development of broadband access are the main indicators of information society development, and ultimately a sign of how modern and competitive a country is overall, and how comfortable a life it offers its citizens.

As for the priorities in this area, the first priority is to develop our own super computers and grid systems. We spoke about this at the Commission's last meeting and made the decisions. Today we need to examine the detailed network timetables and plans for each of these projects.

The second task is to finally make progress on the electronic government projects. This has become quite simply a disgrace. There have been so many meetings and so many presidential and government instructions issued, but no real progress is in sight. I think there is no need to prove to anyone today that the quality of public services has a direct impact on the state of our country's democracy, and on fighting corruption too. But there has still been no real progress in developing the inter-agency electronic document management system, setting up a full-fledged on-line public procurement system, and also establishing a unified system of state registration of the results of scientific research and experiment and design work.

This situation prompted me to come up with an idea: if simple persuasion is not enough, then we need to try not just the carrot but also the stick. My idea is that we need to come up with a strict set of measures regarding implementation of the electronic government system's various components, including cutting budget funds to agencies that fail to carry out their tasks in this area. We need to introduce a system of indicators. If an organisation fails to carry out this work, it will receive less budget money. We need to punish with the ruble. I realise that this is far from always effective as a method, but it at least gives us an additional instrument that we can try. “

Dmitrii Medvedev. Opening Remarks at Meeting of the Commission for Modernisation and Technological Development of Russia's Economy. August 31, 2009
http://eng.kremlin.ru/speeches/2009/08/31/2052_type82913type127286_221377.shtml

RUSSIA: RESERVES OF THE INSTITUTIONAL DEVELOPMENT

- PRE-CONDITION AND CONDITION TO OVERCOME THE ECONOMIC CRISIS

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1. Introduction

The economic crisis revealed three connected peculiarities of the Russian development during the last decade:

- Increasing natural resources' specialization of the economy;
- Increasing aging of equipment and backlog in the scientific and technological development;
- Institutional barriers to the growth of the market economy.

During the last years new laws on land, on labor and the on de-bureaucratization of administration were adopted. New regulations for the legal system and the conception of an administrative reform have been developed and they are to begin to function. National development projects in the spheres of education, health, housing, agriculture were set up. (See Fig. 1) The questions are, however, at which cost was that done and, what does that mean for the economic growth, how fast is the new economy developing and will it be possible to overcome the "mono-cultural" specialization of the country. How can the economic growth become sustainable and steady? Has been done sufficiently enough for increasing the scientific and technological potential of the Russian Federation? There is, on one hand, the widely spread mythos in Russia that this country is the best country in the world. On the other hand, one has to look what the measured tendencies of the economic and social development really reveal. What does support and what does hinder Russia to transfer itself from an industrial society to a postindustrial society. All these questions are especially important during the deepening economic crisis.

2. The deepening of the natural resources' specialization of Russia

Russia keeps the first place in the world in gas extraction, asbestos and nickel production, the second place in extraction of raw oil, aluminum, production of bricks; third place in coal extraction, raw iron and milk production (see Table 1).

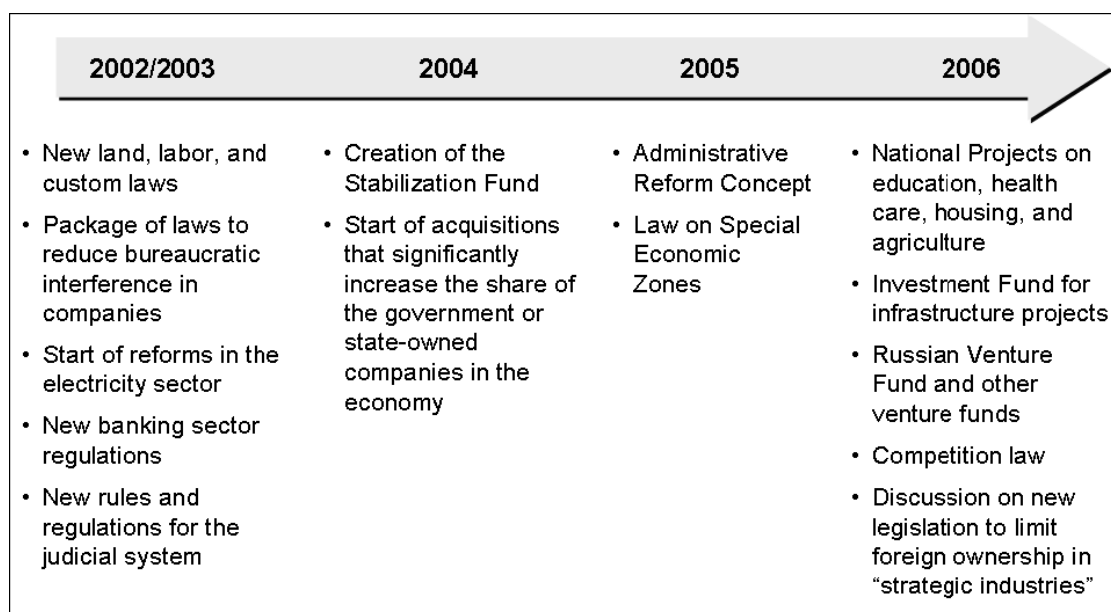


Fig. 1: Initiatives in the Russia economic policy in the first decade of the 21st century

Sources: Michael E. Porter and Christian Ketels, *Competitiveness at the Crossroads: Choosing the Future Direction of the Russian Economy*. Moscow. 2006.C. 77

Tab. 1: Place of Russia in the World (2007)

place	Export good	place	Export good
1	Natural gas, asbestos, nickel	5	Iron ore, cement
2	Extracted raw oil, Aluminum, brick, potato	6	Mineral coal, gold
3	Iron ore, milk, lignite	7	Cellulose, cooking oil
4	Electrical energy, Steel, Rolled steel plates, timber, Sugar beet, Saw timber, Mineral fertilizer, Cotton fabric, corn	8	fish
		9	Meat and chicken

Source: Mineral Commodity Summaries 2008, Российский статистический ежегодник, Международное энергетическое агентство.

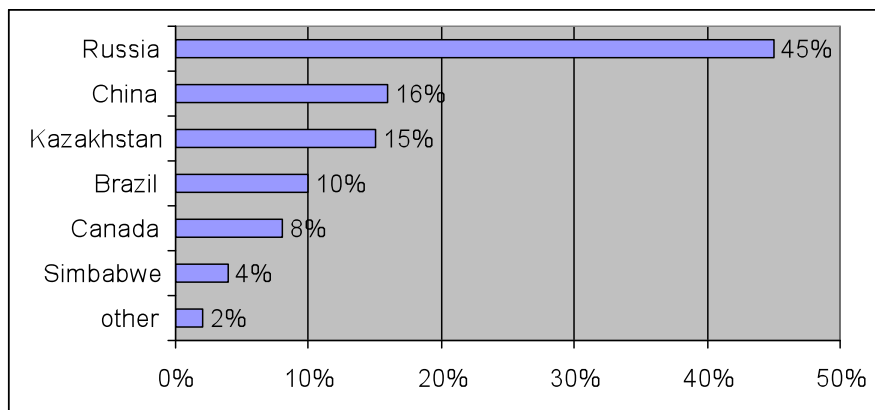


Fig. 2: *Leading asbestos producers (2007, %)*

Source: Mineral Commodity Summaries 2008.

2007 Russia produced 45 % of the world asbestos production (see: Fig. 2). This is more than what is covered by the next three countries – China (16 %), Kazakhstan (15%) и Brazil (10 %).

Far ahead from the followers is Russia with respect to the production of nickel: In 2007 Russia covered one fifth of the world production (see: Fig. 3). Behind Russia are such producers as Canada (15%), Australia (12%), Indonesia (9%), New Caledonia (7%), and Colombia (6%). The contribution of the remaining countries, among them Brazil and Cuba, makes not more than 5 %.

Rustem M. Nureev

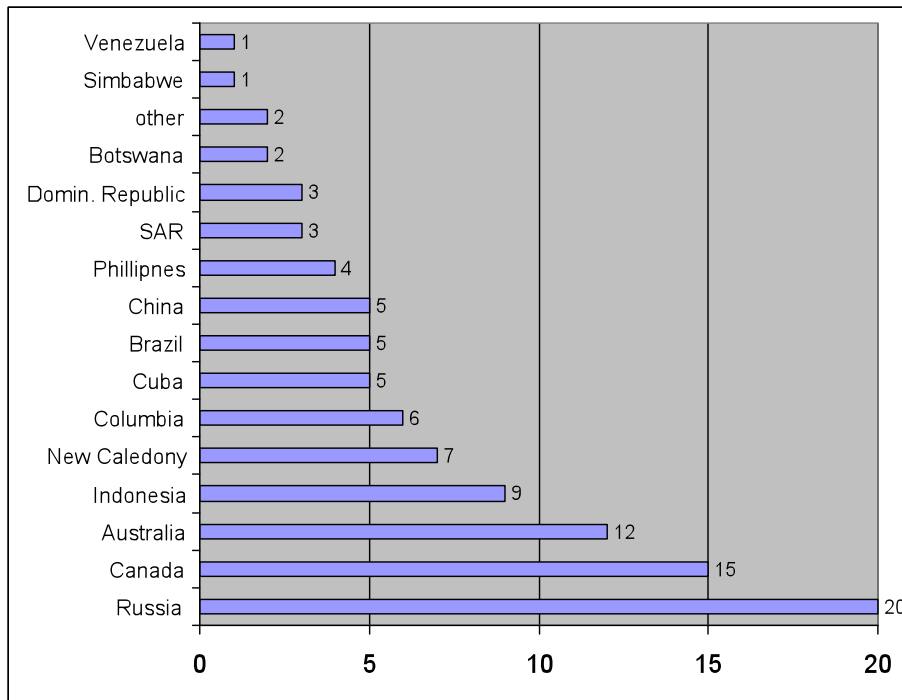


Fig. 3: Leading nickel producers (2007, %)

Source: Mineral Commodity Summaries 2008

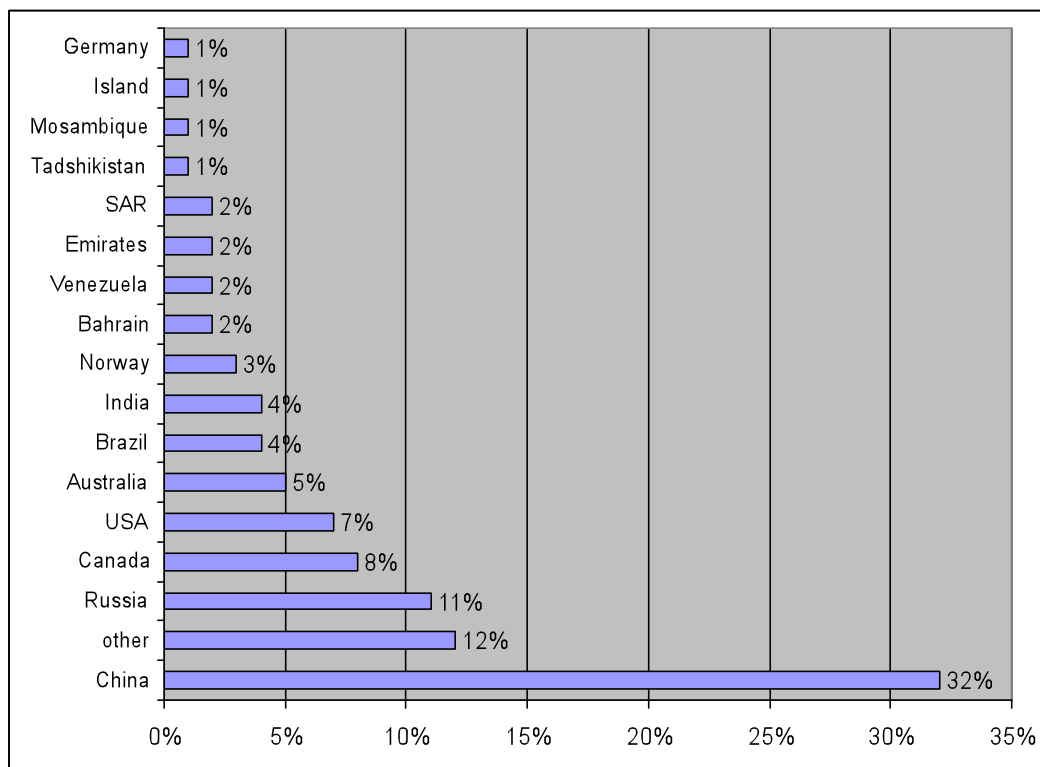


Fig. 4: Leading aluminum producers (2007, %)

Source: Mineral Commodity Summaries 2008.

Russia is the second aluminum producer behind China, which today produces every third ton in the world. (See Fig. 4). Russia produced 11% of the world market in 2007 which is much more than made by the highly developed countries such as Canada (8%), USA (7%) and Australia (5%).

Russia is also the sixth largest gold producer in the world (10% of the world market), behind Australia (18%), South Africa (17%), China (16%) and Peru (11 %, see Fig. 5).

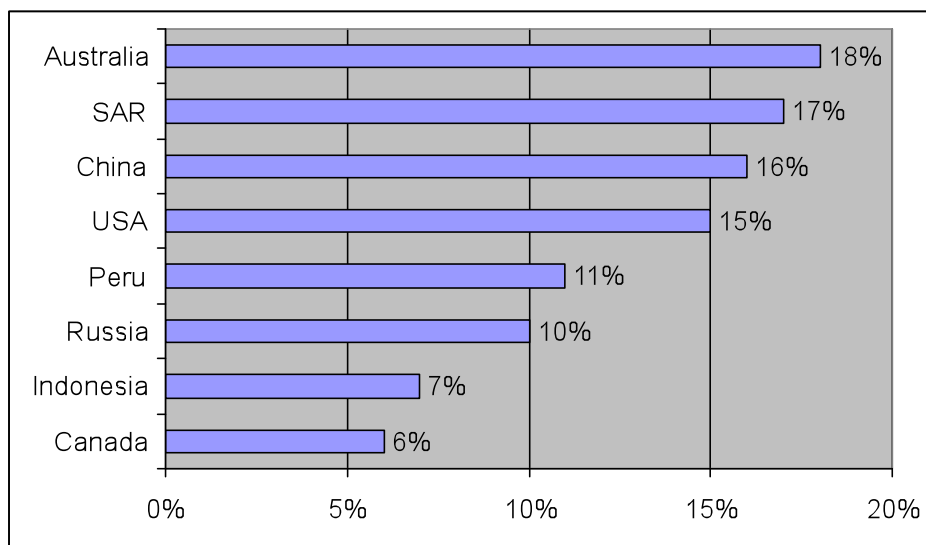


Fig. 5: Leading gold producers (2007, %)

Source: Mineral Commodity Summaries 2008.

Tab. 2: Russian share in extracting mineral resources (% of the world level)

	1995	2000	2007
Average population	2,6	2,4	2,2*
Extraction			
Oil and condensate, tons	9,9	9,7	12,6
Natural gas, m ³	27	23	27,2
Coal, tons.	5,7	5,7	5,0
Iron ore, tons	8,5	9,1	6,0

Source: international energy agency

In 2007 the Russian population covered 2.2 % of the world population. The contribution to some products is, however, much higher, if look at the share of 27.2 % of gas extraction, 12.6 % of oil extraction, 6 % of iron ore extraction and 5 % of the coal extraction (see Tab. 2).

Remarkable positions are hold by Russia concerning the production of mineral fertilizers (9.3% 2007), iron (7 %), steel (6.2%), electricity (5.3 %), saw timber (5.3 %) cotton fabrics (3.5 %, see Tab. 3). Year by year the level of the automobile production is increased and reached 2007 the level of 2.4 % of the world market.

The success of the Russian industry is due to the changes of its place in the world-wide specialization. The orientation of the Russia industry is moving closer and closer the solely natural resources' orientation. This can be seen by the Table 4, which displays the export structure of the Russian industry. Yet in 1995 the mineral natural resources covered 42.5% of the export, in 2007 this share grew up to 65.9%, while at the same time the export share of machine tools and equipment went down by two times – from 10.2% to 5.8%. If add to the mineral resources, timber, metal and jewels, then the share covers 80% of the export.

Tab. 3: Russian's share in industrial production (% of world production)

	1995	2000	2007
Industrial production			
Electrical energy	6.5	5.7	5.3
Iron	7.6	7.7	7
Steel	6.9	7	6.2
Cars	2.1	2.3	2.4
Mineral fertilizers	7.1	8.5	9.3
Timber	3.6	2.8	3.3
Saw timber	6.5	5.3	5.3
Paper, carton	1.5	1.6	2
Cement	2.6	2	2.1
Cotton fabrics	1.9	2.7	3.5
Wool fabric	2.8	2.4	2.0
Shoes	1.3	0.9	...
Sugar	1.8	1.3	1.4
Fish	4.2	4	3.2

Source: RUSSTAT

Tab. 4: *Export structure of industrial goods of the Russian Federation*
 (in actual prices)

	1995		2000		2005		2007	
	Mill US \$	%	Mill US \$	%	Mill US \$	%	Mill US \$	%
Export – total	78,217	100	103,093	100	241,219	100	335,287	100
included:								
Food and agricultural goods (except textile)	1,378	1.8	1,623	1.6	4,536	1.9	8,257	1.8
Minerals	33,278	42.5	55,488	53.8	155,853	64.6	217,947	65.9
Chemicals, rubber	7,843	10.0	7,392	7.2	14,351	6.0	19,554	5.5
Raw leather and leather goods	313	0.4	270	0.3	330	0.1	290	0.1
Timber, paper	4,363	5.6	4,460	4.3	8,304	3.4	11,943	3.2
Textiles, shoes	1,154	1.5	817	0.8	934	0.4	592	0.3
Metal, jewels, goods from metal and jewels	20,901	26.7	22,370	21.7	40,884	16.9	54,697	16.3
Machines, equipment, transportation goods	7,962	10.2	9,071	8.8	13,503	5.6	17,795	5.8
Other goods	1,026	1.3	1,603	1.5	2,524	1.1	4,212	1.1

Source: Federal customs agency of the RF

This structure is so different from other countries. Even countries with low income have an export share of finished products for about 50% (see Fig. 6). The more this is true for countries with average income (64%) and with high income (81%). In Russian export just 21% are covered by finished products. Russia differs very much from other countries with respect to the share of fuel. While in the rest of the world it covers around 8% (in countries with high income – 5%, with average income – 17% and with low income – 28%, appropriately), in Russia it makes 50% of the export.

And, despite of this fact, the imports of machines, equipment and transport vehicles increased significantly (from 33.6 % in 1995 to 47.7% in 2007) and for chemicals and rubber from 10, 9% in 1995 to 15.8% in 2007 (see Table 4). This tendency for more than a decade shows that the orientation to natural resources was not just conserved but even deepened.

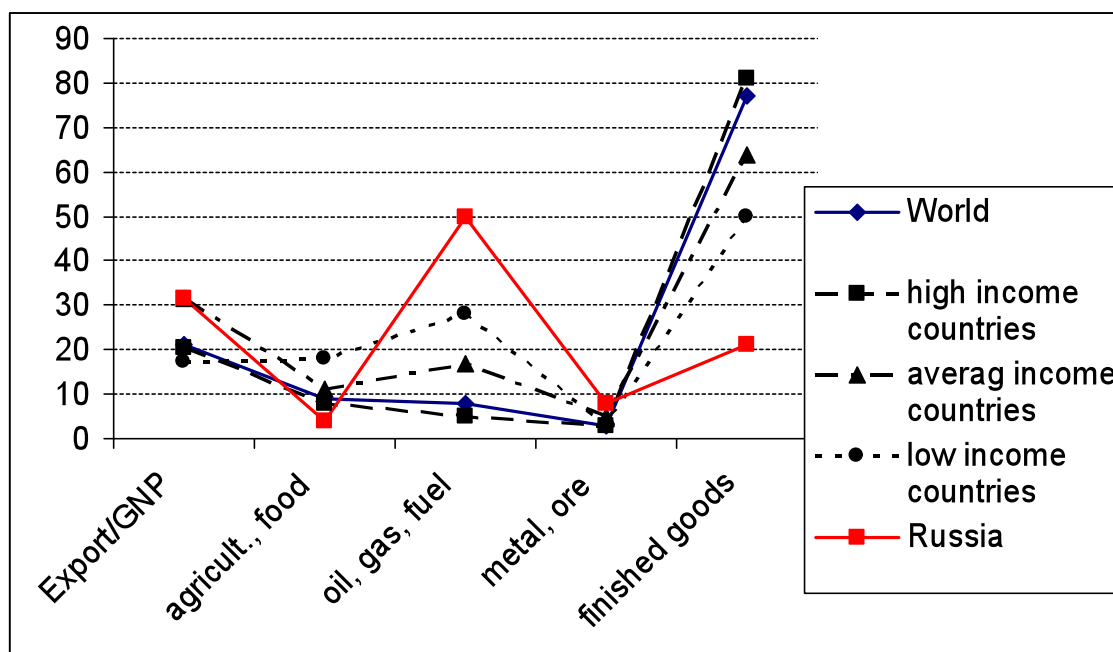


Fig 6: Export structure 2004. (%)

Source: 2006 World Development Indicators, Wash.: The World Bank, 2006

The structure of the Russian import is also really different from the tendencies in the world. While it is typical for most of the countries that in export as well in import there is a high share of finished products (see Fig. 7). In Russia the share of imported finished products exceeds the share of exported finished products by three times. In the Russian import structure food and agricultural products exceeds two times the import of such goods compared with the import of countries with high and average income (18 % against 9%). This indicator is for Russia close to that of the countries with low income – 14%). And naturally, the import of fuel is for Russia just 3%, while for the rest of the world the share is 11 % (in countries with high income – 12%, with average income – 9% and with low income – 22%).

Tab. 5: Commodity structure of the import of the Russian Federation
 (In actual prices)

	1995		2000		2005		2007	
	Mill US \$	%	Mill US \$	%	Mill US \$	%	Mill US \$	%
Import total	46,709	100	33,880	100	98,577	100	190,821	100
included								
Food and agricultural goods (except textile)	13,152	28.1	7,384	21.8	17,415	17.7	26,143	15.7
Mineral products	3,001	6.4	2,137	6.3	3,020	3.1	4,540	2.4
Chemical goods, rubber	5,088	10.9	6,080	18.0	16,266	16.5	26,716	15.8
Leather, leather goods	167	0.3	126	0.4	275	0.3	659	0.3
Timber, related goods	1,104	2.4	1,293	3.8	3,279	3.3	5,037	2.9
Textiles, textile goods, shoes	2,644	5.7	1,991	5.9	3,617	3.7	7,877	4.0
Metal, jewels, jewel goods	3,956	8.5	2,824	8.3	7,651	7.7	14,347	7.7
Machines, equipment, trans- portation means	15,704	33.6	10,649	31.4	43,403	44.0	9,8075	47.7
Other goods	1,893	4.1	1,394	4.1	3,653	3.7	6,427	3.5

Source: Federal customs agency of the RF

The problem becomes more crucial due to the fact that the natural resources' stocks in Russia will be exhausted in the near future. This is true for oil and gas. The explored stocks last until 2030. The level of reproduction of oil and condensate stocks continues to be lower than the extraction level. In 2002 additional 254 mill tons were added to the known stock but the extraction comprised 380 mill tons, in 2003, appropriately 240 against 421, in 2004 about 440 mill tons of oil were extracted.

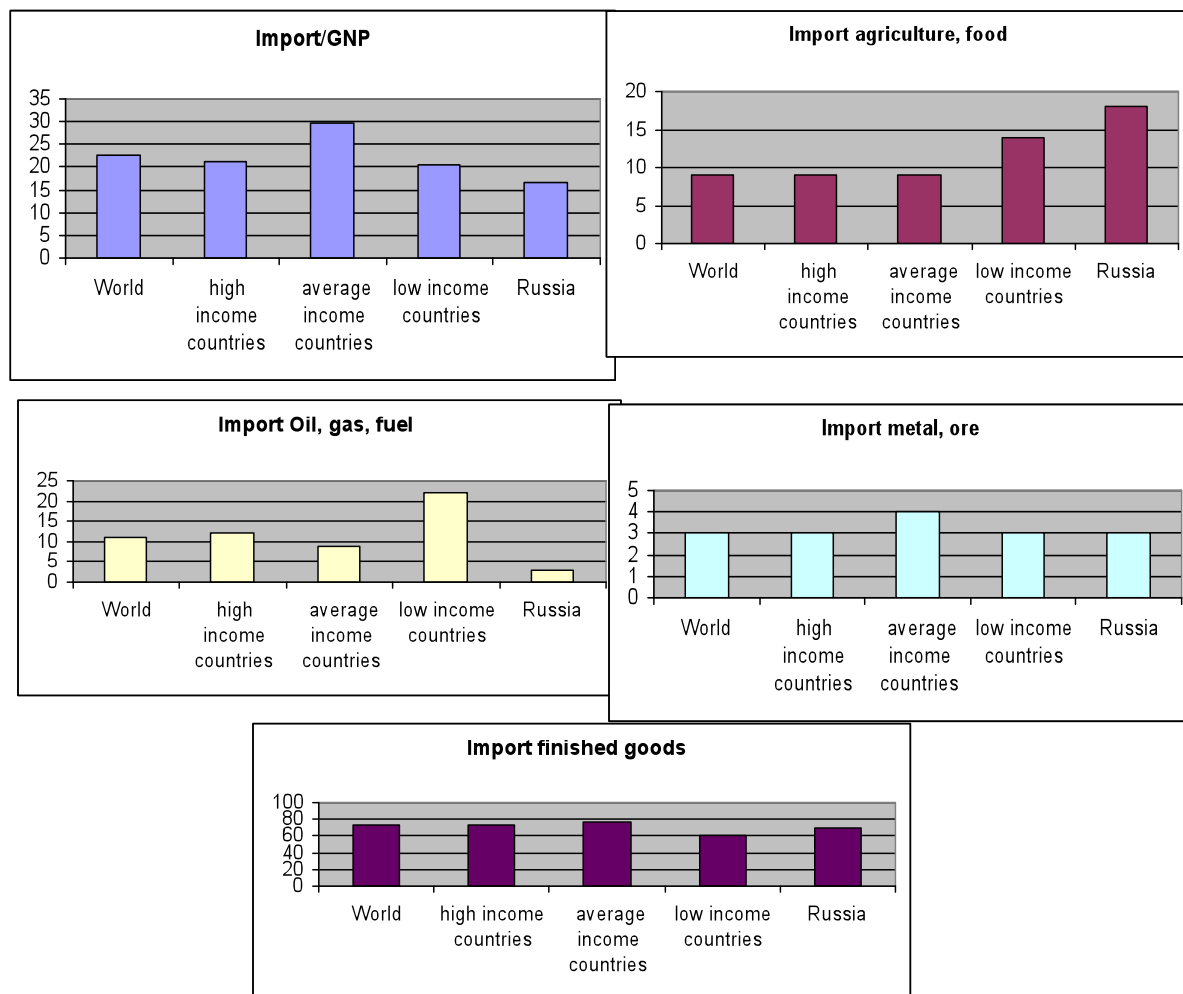


Fig. 7: Import structure 2004 (%)

Source: 2006 World Development Indicators, Wash.: The World Bank, 2006

Additional problems arise, since a significant part of natural resources was transferred from the state into private property. Today 92% of the oil stocks are distributed among the users, just 8% of stocks, which need heavy extraction capacity and cost, remain to be state property. The opinion is widely spread that the deficit of stocks can be covered by new exploration activities in eastern and western Siberia, at the far east of Russia and at sea. The cost of exploration, however, will be much higher. By using these additional sources the total production level can be increased to 490 million tons in 2010 and even to 520 million tons in 2020.¹

Russia, USA, Netherlands, Great Britain, Indonesia, Algeria, Saudi Arabia, Iran, Norway, Italy, Germany are the main gas producers in the world. Forecast published by

¹ <http://www.kolokol.ru/Economy/m.66273.html>

the International gas union say that the official world natural gas stocks comprise 398,000 bill m³ and non-officially comprise 400 – 650,000 bill m³.

With respect to the known stocks of natural gas Russia keeps 32% of the world stocks and 30% of the production. The total stock is 236,000 bill m³. The production covers 6% or 13.500 bill m³. The share of known is 20% or 48,000 bill m³. 73% of the stocks can be found in 22 large sites, which are responsible for 90 % of the production of gas. 2003 the total production was 595 bill m³. There are estimates², which say that, provided a well developing social and economic development can be expected, the gas production in Russia could be 645-665 bill m³ in 2010 and 710-730 bill m³ in 2020.

Concerning the security with natural energy resources the NIS countries are in good conditions. The oil stocks will satisfy today's level demand for 30 years ahead, the gas stocks for 70 years and the coal stocks for 460 years (see Fig 8).

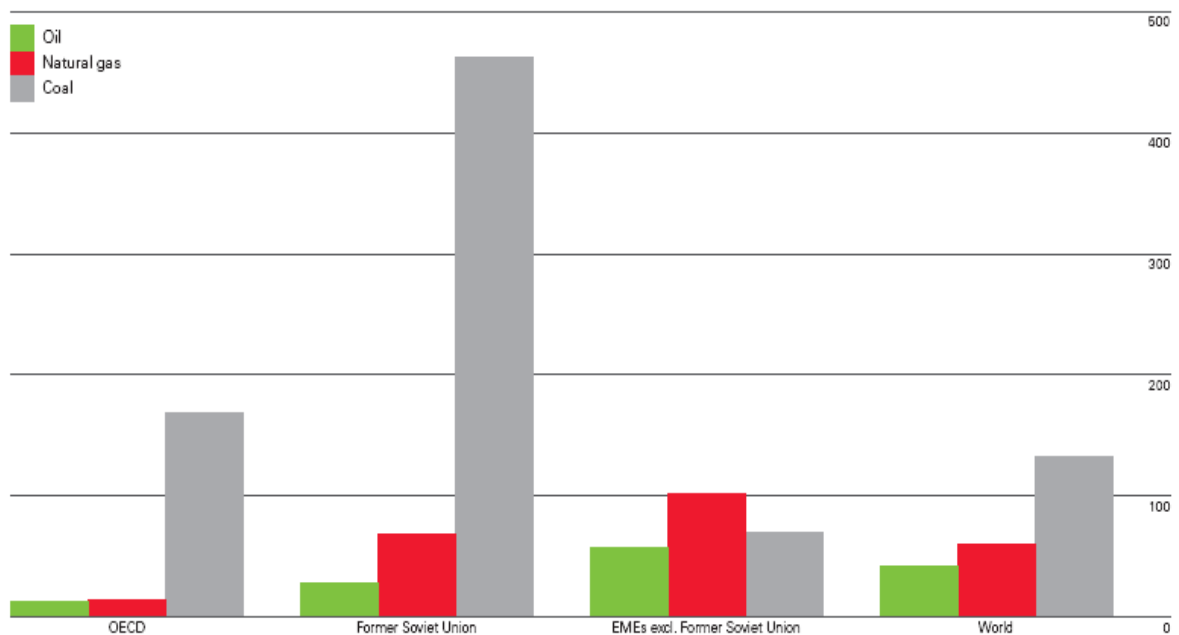


Fig. 8: Fossil fuels (oil, Natural gas, coal) Reserves-to-production at end 2007

Source: *BP Statistical Review of World Energy 2008*

The demand for coal in the OECD countries can be satisfied for 170 years. The gas (oil, coal) demand of the countries from Europe and Asia is satisfied for 100 (60, 70) years. Due to the danger of the exhausting of the resources the role of other development factors is increasing, mainly the role of man capital increases.

² ibid

It is not a surprise that in the time of crisis the one sided raw resource orientation of Russia led to significant problems for the country: rapidly decreasing oil prices dropped the export level seriously and bound the necessary import of machines and equipment, The importance of the scientific and technological potential of the country as basis for an innovative development becomes very important. In the last years an acceleration of the scientific and technological development can be observed, while in Russia this process is more likely to slow down.

3. The slowing down of the scientific and technological progress

During the transition to the market economy aging (and wearing out) of the scientific and technological potential of the RF prevailed. While in 1970 more than 70% of the equipment was not older than 10 years, in 2000 almost 60% of the equipment is older than 16 years. The average age of the equipment increased from 8.42 years to 18.7 years³ (See Table 6).

Tab. 6: Age structure of the equipment in the RF

Years		1970	1980	1990	1995	2000
Total		100	100	100	100	100
Years' groups	0-5	40.8	35.5	29.4	10.1	4.7
	6-10	30	28.7	28.3	29.8	10.6
	11-15	14	15.6	16.5	21.9	25.5
	16-20	6.9	9.5	10.8	15	21
	> 20	8.3	10.7	15	23.2	38.2
Average age (years)		8.42	9.47	10.8	14.25	18.7

Source: ROSSTAT, 2008

The successes of Russian science are well known. At the same time, for the years from 1995 to 2006 the number of researchers decreased by 130,000, the number of

³ Unfortunately, in 2000 ROSSTAT stopped publishing the appropriate data

technical personal by 35,000, the number of supporting personal by 60,000 and the number other personal by 30,000 either. (See Fig. 9). By the way, the scientific personal is distributed quite uneven across Russia, 40 % of them work in the Central Federal Region (in and around Moscow).

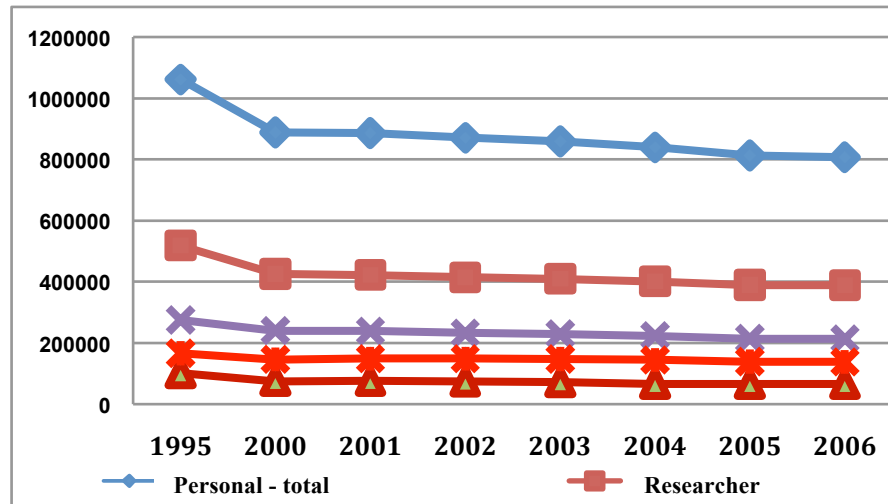


Fig. 9: Personal engaged in research and development 1995 - 2006

Source: http://www.gks.ru/bgd/regl/b07_13/Main.htm

The main source of financing research and development is now the business, which, however, focuses at recent practical problems. The fundamental research sector is therefore behind the world level (See Fig 10). A large part of research and development in the business sector is financed by the state budget. This situation can be viewed as **parasitism of the business at the state resources**⁴.

⁴ L. M. Gochber, Science statistics, Moscow 2003 (in Russian)

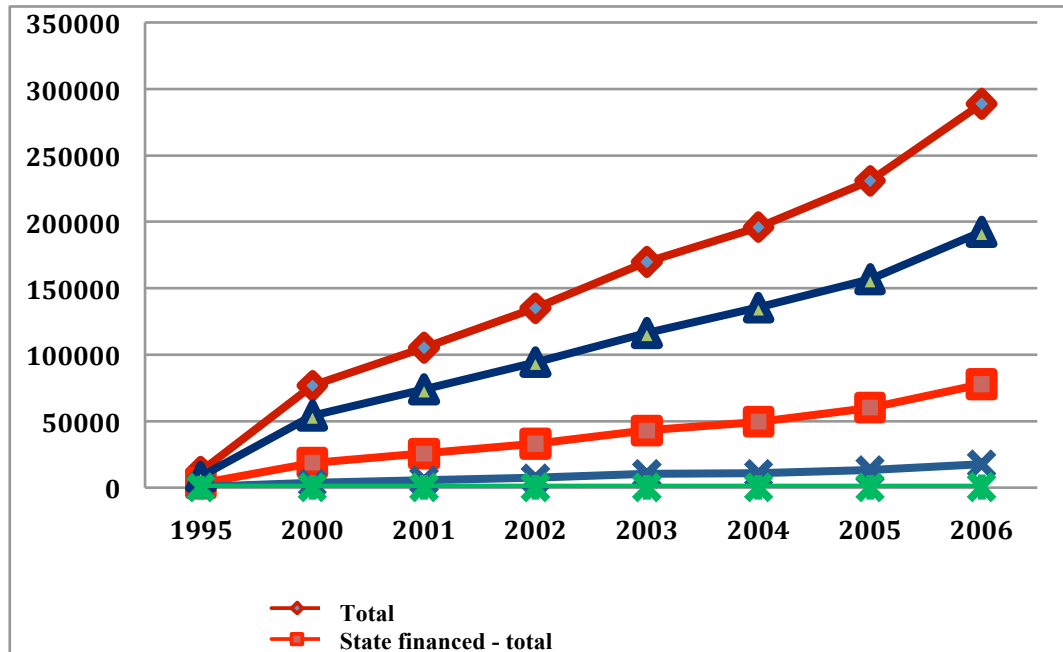


Fig. 10: R/D funds for various sectors (1995 - Mill Ruble)

Source: http://www.gks.ru/bgd/regl/b07_13/Main.htm

Tab. 7: Index of the innovation potential: place of Russia 2004

Rank	Scientists & Engineers Index	Innovation Policy Index	Cluster Environment Index	University Linkages Index	Company Operations and Strategy Index
...	Russia (9)	...	...	...	...
40	Italy	Greece	Morocco	Indonesia	South Africa
41	Latvia	Czech Republic	Russia	Portugal	Lithuania
42	Romania	Lithuania	Nigeria	Egypt	Mauritius
43	Argentina	Slovak Republic	Cyprus	Uganda	Egypt
44	Mozambique	Botswana	Bahrain	Turkey	India
45	China	Namibia	Turkey	Russia	Poland
46	Costa Rica	Bahrain	Estonia	Hungary	Jordan
47	Egypt	Italy	Ukraine	Jordan	Hungary
48	Trinidad & Tobago	Malta	Mexico	Jamaica	Mexico
49	Chile	Jordan	Slovenia	Bahrain	Tunisia
50	Cyprus	Chile	Lithuania	Costa Rica	Estonia
51	Macedonia	Morocco	Costa Rica	Greece	Portugal
52	Indonesia	Croatia	Philippines	Trinidad & Tobago	Pakistan
53	Mauritius	Serbia	Kenya	Panama	Panama
54	Tunisia	Tanzania	Panama	Namibia	Botswana
55	Morocco	Uganda	Greece	Madagascar	Morocco
56	Brazil	Egypt	Mauritius	Mali	Thailand
57	Turkey	Gambia	Czech Republic	Mauritius	Namibia
58	Uruguay	Russia	Colombia	Vietnam	Trinidad & Tobago
59	Malaysia	Trinidad & Tobago	Namibia	Botswana	El Salvador
60	Vietnam	Mali	Jordan	Tanzania	China
...	...	...	...	...	Russia (63)

Source: Unpublished data using the methodology described in "Ranking National Innovative Capacity: Findings from the National Innovative Capacity Index" by Michael E. Porter and Scott Stern (part of The Global Competitiveness Report 2003-2004).

Sources: Michael E. Porter and Christian Ketels, Competitiveness at the Crossroads: Choosing the Future Direction of the Russian Economy. Moscow. 2006. p. 56.

In general, the innovation system in Russia is strong at the input and relatively weak at the output. Russia spends traditionally a substantial part of the GNP for research and development. However, a large fraction of these funds are used to keep a large number of state research institutes, which remain to function rather independently from the higher education system and the real problems of business. Yet commercial organizations do not support science significantly. They are content with the opportunities of extensive growth by extending the market, and not by intensification. It is, therefore, no surprise, that most of the development results of Russian researchers are patented in other countries. These countries understand very well the potential of Russian science and try to use these resources.

The efficiency of investments into science is seen by the innovation level of a country. The index of innovation potential is setup as combination of five sub-indices: index of scientists and engineers, index of innovation policy, index of clustering, index of close relation with universities, and index of strategic policy of companies. The place of Russia with respect to these indices is shown in Table 7.

The RF keeps the 35th place if the innovation potential is ranked. The distribution of the sub-indices is, however, widely spread (See Tab. 7). While the RF keeps the 9th place with respect to the index of scientists and engineers, it keeps the 41st place for clustering, 44th place for connection with universities, 58th place for innovation policy and even the 63^d place for strategic policy of companies. By this spread of indices the rather low efficiency of the innovation processes is expressed. As a consequence, with respect to the number of patents registered per 1,000 inhabitants on the world market, Russia is significantly outperformed by India and China (See Fig. 11).

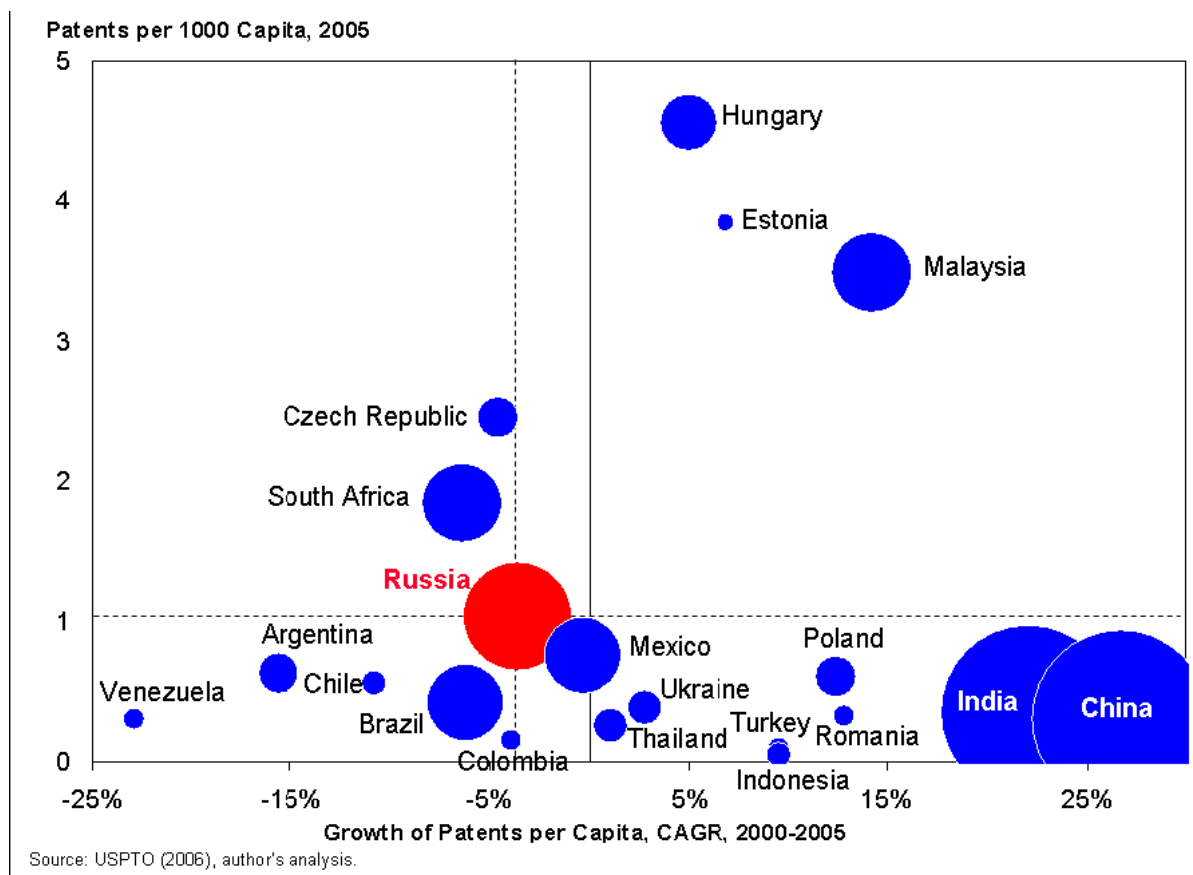


Fig. 11: U.S. Patenting Rates, Russia and Selected Peers, 2000-2005

Sources: Michael E. Porter and Christian Ketels, *Competitiveness at the Crossroads: Choosing the Future Direction of the Russian Economy*. Moscow. 2006.C. 37

4. Institutional barriers to the growth of the market economy

Starting from 2004 the World Bank is publishing reports called „Doing Business”, which analyze the experience of the introduction of reforms in various countries. The ease of doing business in 180 countries of the world is ranked by groups of indicators, which cover the following areas such as:

1. Starting a business;
2. Dealing with construction permits;
3. Employing workers;
4. Registering property;
5. Getting credit;

6. Protecting investors;
7. Paying taxes;
8. Trading across borders;
9. Enforcing contracts;
10. Closing business.

With respect to the conditions for good entrepreneurship the RF keeps the 120th place among the 180 countries. In the last years this situation did not only improve but became worse for the business (See Table 8).

With respect to the conditions of setting up business the RF keeps the 65th place, and the 180th place for getting licensees and permits. The most rich as well as most poor countries are characterized by procedures for getting licensees which are not too complicated. The principle, which can be recommended, is very simple: simplification! Very complicated procedures do not only make the business more difficult, but contribute to the growth of corruption. If the procedure is complicated and problem with the registration of the company occur, it is simpler to bribe administrators.

Tab. 8: *The place of Russia in the ranking of making business*

Easiness	2007	2008	2009
1. Starting a business	33	52	65
2. Dealing with construction permits	163	180	180
3. Employing workers	87	100	101
4. Registering property	44	46	48
5. Getting credit	159	102	109
6. Protecting investors	60	84	88
7. Paying taxes	98	136	134
8. Trading across borders	143	162	161
9. Enforcing contracts	25	18	18
10. Closing business	81	83	89
Ease of doing business	96 (175)	112 (180)	120 (180)

Source: *Doing Business 2009*

The next indicator to be considered is for labor relations. The labor codex has the goal to defend the employees from not correct actions of the employers and from wages' discrimination. The point is to find the right balance between labor markets flexibility and stability of the working places. Unfortunately, most of the countries are characterized by over regulated labor relations. This situation is neither fortunate for the employer not for the employees. The RF is not exclusion and keeps the 101st place in the middle of the 180 countries.

The rank of the conditions of property registration is determined as the mean of the ranks concerning the number of necessary procedures, the registration terms and the registration cost. Here the RF keeps the 48th place. Unfortunately, many countries suffer from complicated procedures of property registration, how stated Er-nando de Soto⁵. The more complicated the registration procedure, the more assets are kept as illegal property. The more illegal property exists, the less it can be used as security for getting loans. The less is the value of the business, the less are the incentives for investors to invest.

For doing business it is crucial not only to get permissions, register property and hire personal but also to get credits for expending the business. Necessary conditions of a well functioning system of getting and granting credits are the access to information on creditworthiness of potential borrowers and practical and simple rules for agreeing about securities. In the developed countries it is the easy access to information on creditworthiness of the population just normality. On the opposite, it is a sign of underdevelopment – and a common feature of many underdeveloped countries – if this information is not available: Russia keeps the 109th place in the ranking on credit getting!

Protecting investors is the next indicator. It is well known that the real markets as well the financial markets grow very well, if cheating is punished by law. Therefore the requirements to open information are very strong in the developed countries, and investors can protect their interests via court. The RF keeps the 88th place in the appropriate ranking!

⁵ Де Сото Э. «Загадка капитала. Почему капитализм торжествует на Западе и терпит поражение во всем остальном мире». М.: 2001, С. 56-70.

Another indicator, which displays well doing business, is tax paying. Of course, no one likes paying tax, and for someone this desire not to pay is stronger. Not to pay tax – it is a national sport at Ukraine, Belarus, Columbia and Mauritania. The RF keeps here the 134th place. In 2007 the average number of different tax payments was about 23. A company has to spend about 256 hours per year for tax payment. The total tax rate goes up to 54.2% of the gross margin. For fighting the corruption in this sphere the tax system must be simplified, the tax rate has to be lowered and exclusions have to be eliminated.

An important indicator for the international business is the participation of a country in the international trade. Problems occur in this field, first of all, with respect to the shipment of goods across borders. There exist barriers such as delayed shipments, lengthy document processing, and great variety of administration fees. They hinder the development of the business in many developing and transition countries. Today mechanisms are known to reduce these fees such as regional trade agreements between countries, unification of document standards, electronic forms of document transfer etc. These transaction fees are 3.5 times lower in the developed OECD countries than, for instance, in the countries of South Asia or tropical Africa.

In the international trade ranking the RF keeps the 161st place. On the average, in 2007 eight different documents were needed for export and import, appropriately. Preparing these documents took about 38 - 39 days. The operational fee for exporting or importing one container was 2,237 US \$.

5. Conclusions

Real business cannot function without trusty contract fulfillment. In a society, where the trust level is high, the contracts are fulfilled, as it is believed by a neutral observer, more or less automatically. In reality, there exist mechanisms to secure contract enforcement. The time needed for contract enforcement differs significantly from country to country. This time is two times larger in Latin America and even three times higher in Asia than in the developed OECD countries.

An efficient system of contract enforcement consists is characterized by three features: the quantity of enforcement procedures, the enforcement time, and the enforcement cost (% of numbers of enforcement procedures, needed time and cost (% of the debt or value). In the developed countries the procedures take 100 – 200 days on the average and in the least efficiently functioning countries 3 – 4 years. The enforcement cost does not exceed 10% in the countries with simplified procedures and more than 100% in countries where the enforcement system works badly.

The terms and cost can be reduced if the legal procedures are simplified. At specialized courts many formal procedures can be simplified. For instance, oral argumentation is allowed, while the same at general court has to be given in written form. The RF keeps the 18th place with respect to the enforcement procedures. In 2007 the average number of procedures was 31, 188 days were needed and the cost was about 13.5% of the debt.

The contemporary meaning of the word bankruptcy steams from the Italian “banca rotta” – broken bank. The question was if the borrower was not able to repay the debt, the bank on which he was sitting was broken, often on his head. Today bankruptcy does not result in physical consequences, but it is yet more painfully than necessary. Therefore, at the end, the problem of closing business in different countries will be discussed. The highest norms to bankruptcy procedures can be found in the developed OECD countries, and the lowest norms in the countries of tropical Africa and South Asia. In Ireland, Japan, Taiwan, Belgium, Finland and Norway the procedure lasts less than one year, but in Chad or India at least 10 years. The cost of the bankruptcy procedures also differ very much. In such countries as Antigua and Barbuda, Columbia, Kuwait, Netherlands, Norway and Singapore they constitute not more than 1% of the value of the business, in other countries as Central African Republic or Laos they exceed 75% of the value. Russia keeps the 89th place in that ranking. In 2007 the average time for a bankruptcy procedure 3.8 years and the average cost was 9% of the value. The compensation rate was 28.7 US cent for one US dollar.

As it could be seen, in the RF there are many obstacles for the development of the market economy. The main conclusion is rather obvious: the business transaction

cost have to be decreased. This will increase the efficiency of the economy; create conditions to overcome the crisis faster, rising the welfare and speeding up the development of the Russian economy.

INTERNATIONALIZATION OF RUSSIAN ECONOMY: THREATS AND OPPORTUNITIES IN TIME OF CRISIS

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Abstract

Current economic crisis similarly to its predecessors challenges viability of various economic actors. Some of them have higher chances to survive and even to expand while others are doomed to fail. Are the firms and national economies deeply involved in various international economic transactions better equipped to stand the time of troubles in comparison with their more domestically oriented counterparts? Present paper attempts to answer this question with respect to Russian case.

1. Introduction

Although it might sound almost trivial nevertheless contemporary Russian economy dramatically differs from the Soviet one. Novelty of the situation in many cases results from expansion in scope and scale of inward and outward international economic co-operation. Various firms have had different level of involvement in foreign trade, international investment, or industrial cooperation. In each specific case abovementioned difference not only has been generated by certain reasons but also has had for participating companies as well as for the national economy in general its own cost and benefits. The balance between these two might influence the overall performance substantially and ultimately predefine strategic business decisions regarding speed and magnitude of internationalization.

For at least one third of its less than two decades-long modern history Russian economic development has been accompanied by severe difficulties and malfunctions of various sorts including current economic crisis. It goes without saying that problems of early 1990s had different nature in comparison with default of August 1998 or today recession. At the same time, taking under consideration controversial effects international economic transactions might have on companies and economies involved one is really tempted to ask whether it is good or bad for a firm to be “international” and even “global” in time of crisis?

2. Some basic definitions

During last several decades many companies in different regions of our planet gradually became deeper and deeper involved in two closely linked and partly overlapping processes, namely internationalization and globalization. Both of these notions are widely used nowadays in all kinds of publications and discussions. Nevertheless, with regard to their actual meanings views differ substantially indeed. Under the circumstances it looks sensible enough to introduce more or less precise definitions the present paper will rely upon.

Let's start with internationalization. Being perceived from microeconomic point of view in a proper sense of a word it assumes gradual process of relatively large-scale expansion of standard reproduction cycle beyond national borders of respective firm. Two additional comments/clarifications appear to be relevant. Firstly, "relatively large-scale expansion" means that in terms of influence on overall results of company's performance significant share of respective stage has to be moved beyond national borders. Secondly, "expansion of standard reproduction cycle" means that operations carried out abroad should not be perceived by the company as something extraordinary. In other words, they become a part of routine performance.

As late as the second half of 1980s internationalization process gained new very important feature. In contrast to the previous period, geographical diversity of foreign operations increased substantially. Under the circumstances new international domain for each individual respective company tended to include all major economic regions of the globe. That was how globalization came on stage.

From this perspective internationalization and globalization have common features as well as significant peculiarities. In both cases large-scale expansion of routine operational cycle seems to be crucial indeed. Here available data clearly illustrate an achieved level. In particular United Nations Conference on Trade and Development (UNCTAD) traditionally applies two indicators to measure the magnitude of international involvement. These are Transnationality index (TNI) and

Internationalization Index (II). The former is calculated as a composite of three ratios, namely foreign assets/total assets; foreign sales/total sales; foreign employment /total employment. The latter is a ratio of transnational companies' (TNC's) foreign affiliates/total number of affiliates. In 2005 for top hundred TNCs of the globe TNI equaled to 59.9 (varying between the industries from 50.6 in transport and storage to 73.3 in food and beverages). II equaled to 69.5 (varying between the industries from 53.1 in utilities to 81.9 in pharmaceuticals) (*World Investment Report 2007. p.26*).

On the other hand, the difference between the company operating in line with internationalization pattern (international company) and the company operating in line with globalization pattern (global company) is also extremely important. A French firm with its subsidiaries in UK, Germany, Spain, Finland and Greece, is without any doubts international. Nevertheless it is by no means global one. In order to achieve this higher level of maturity it should expand towards North and South Americas and Asia, Eastern Europe and Africa.

Already at the internationalization stage operational domain of the companies ceased to correspond with jurisdiction of their origin national state. Globalization increased the gap by far. Under the circumstances national state experiences serious limitations while trying to govern performance of its economic agents. In their turn, international and global companies facing large diversity of regulatory regimes between the countries around the globe act correspondingly. They try their best to utilize opportunities provided by growth in scale and scope of international transaction supported by liberalization of foreign trade and FDI. In addition to achieving other goals TNCs can relocate their activities geographically to minimize the burden of state governance by avoiding and evading it¹.

¹ Hence, the countries with high level of taxation, strict regulation in terms of social and environmental standards, etc. might experience substantial resources outflow. In order to prevent these developments (situation in a way similar to that described by downward slope of Laffer curve) national state often has no real alternative to de-regulation. Other countries would retaliate by even more radical deregulation. Ultimately that might bring all of them into a vicious circle of "race to the bottom" with gradually diminishing governing power.

Within the framework of globalization the leading manufacturers in the main developed countries significantly changed their approach with respect to marketing and management strategies. Typical international company of 70s or even 80s tried to adjust its product towards national/regional peculiarities of each separate target-market it operated on. This attitude originated from the idea that each country/region was something special, if not unique. Global companies tend to operate quite in a different way. With a reasonable level of approximation one might argue that they are ultimately driven by «one size fits all» perception. Accordingly there is no need to pay any serious attention to national or even regional peculiarities. On the contrary, potential consumers of the particular product all around the globe should be «educated» and persuaded to be equally interested in it.

In order to secure an adequate understanding of internationalization/globalization one should take under consideration the fact that the main driving forces behind the process under review as well as its major performing agents are precisely large firms - transnational corporations nowadays more and more behaving according to «global pattern» described above. At the same time one should probably bear in mind that even from the point of view of normative theory (say nothing about positive approach) each individual global company could hardly be blamed for the way it operates. To a very substantial extent these firms might be perceived as a kind of victims. They are actually forced to do what they do by severe and pitiless logic of international competitive cooperation (or as some people prefer to name it – cooperative competition). One of the leading Nordic experts in the field Professor Rejo Luostarinen from Helsinki School of Economics and Business Administration used to describe the challenge faced by Finnish companies in a following way: with respect to the period of 70-80s - internationalize or die; with respect to the period of 90s and at least first decade of a new millennium - globalize or die.

Nevertheless, in spite of all new developments of the last twenty years contemporary world does not constitute a single economic space with close to zero barriers to international trade, capital and labor mobility. Neither general business environment in different countries managed to converge towards any more or less universal pattern. In other words, the process of globalization is very far from being

completed. According to one of the latest UNCTAD reports this is evidenced by the fact that in the larger OECD economies – and even in some of the smaller ones – most firms still produce the largest proportion of their output within national boundaries. Less than a dozen of the biggest TNCs in the Fortune 500 are truly “global” in the sense of having 20 per cent or more of their sales in each of the three large geographical trade blocs – North America, Western Europe and East Asia. Within these blocs, most firms produce most of their output within national boundaries, and, when they do trade or move abroad, most find a disproportionately large number of their markets and locations close to home (*Trade and Development Report, 2007 p.XIII*).

In general this is twice as true with respect to Russian companies. Due to relatively short history of their direct involvement² in international economic transactions they in most cases did not so far achieve the level of maturity typical for many foreign global firms. Under the circumstances this paper rather treats Russian companies as international and the process they are currently involved in as internationalization.

3. Blessings and curses of internationalization

It is a well-known fact that overwhelming majority of events and processes that in their aggregate constitute contemporary economic development might influence business entities and national economies in general in ambiguous way. Typically these processes are perceived both as potential threats and existing opportunities. The approach is defiantly valid with respect to internationalization. Even in terms of its initial and core hypostasis – namely foreign trade internationalization generate diverse effects.

² It goes without saying that certain amount of Soviet plants and factories operating under the system of centralized planning both produced some products designated to foreign customers and used for manufacturing some foreign input. At the same time, in a strict sense of the word they didn't interact directly with their foreign counterparts. Several government agencies-middlemen were ultimately in charge of economic and financial aspects of the transactions.

On the one hand, at least starting from Adam Smith and David Ricardo economists have investigated what is known as “gains from trade”. Respective concept basically claims that if a country trade it (assuming certain price ratio) will be better off in comparison with autarky pattern. Initial focus on specialization as the main (if not the only) factor generating additional wealth has been gradually complemented by several other “gains” – from economies of scale, product variety, increased competition, productivity, etc. (For a comprehensive review of trade theory evolution see: *World Trade Report 2008*). All in all, nowadays one has a whole bunch of good reasons to believe that foreign trade can seriously contribute to economic growth and prosperity.

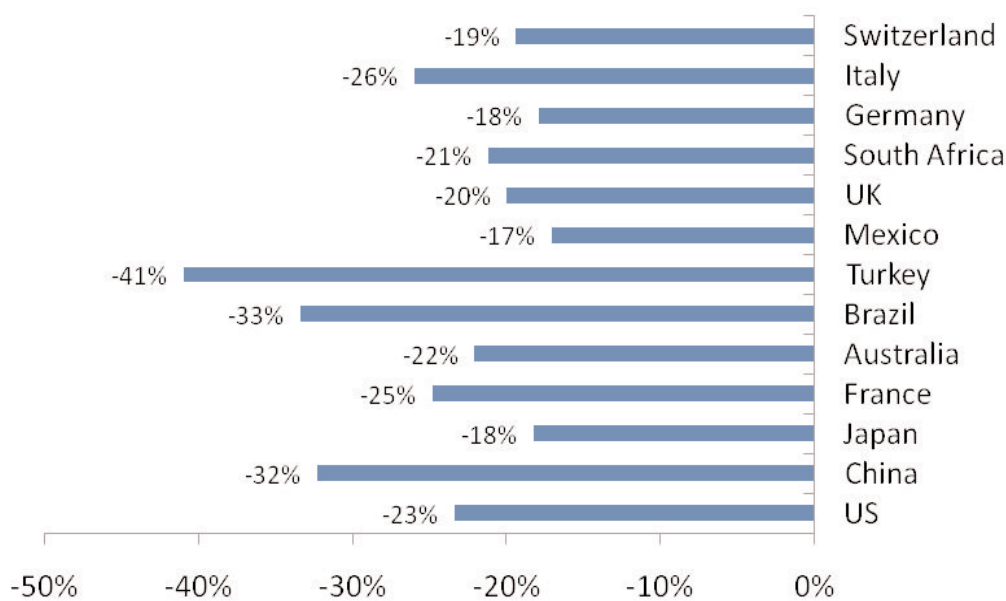
On the other hand, risks associated with deep involvement in foreign trade might be in many cases much higher than those related to domestically-oriented transactions. Due to the fact that at least during last couple of decades volatility of foreign trade flows has substantially exceeded fluctuations of such macroeconomic indicators as GDP or industrial production. Both national and global statistical data illustrate the trend vividly enough. In particular, according to recent calculations of the WTO Secretariat “...world trade responds strongly to variations in global economic activity... Income elasticity – how much trade responds to change in income – has been between 1.5 and 2 over the last decade” (*World Trade Report 2008. p.2*).

When the economy is on the rise above-mentioned dynamics logically enough tends to provide extra opportunities and to create additional incentives for the companies to expand their export and import operations. At the same time, for the periods of disturbances pendulum swings to an opposite direction. Already in case of mere deceleration of economic growth foreign trade can experience serious problems. It actually happened at the very beginning of a current millennium. Contraction of world GDP growth rate from 4.1% in 2000 down to 1.5% in 2001 was accompanied by respective contraction of world merchandise export growth from 10.7% down to -0.5%. (*World Trade Report 2008. p.3*).

As for the time of real recession the situation appears to be even worse and threatening. Current economic crisis provides a convincing proof of that. It is not by chance that just after first evidences of global economic contraction world leaders at

September 2008 G-20 summit clearly expressed both their common concerns on possible reduction of international trade flows and interest in avoiding of a new wave of protectionism. Since then similar declarations have been constantly made by many prominent politicians all around the globe. In spite of that actual trade policy measures introduced by US, EU, Russian Federation and other countries in contrast to aforementioned pro-liberalization appeals added new tariff and non-tariff barriers to already existing ones. These steps did their bit to suppress international trade, which started to contract pretty fast by itself largely regardless of any respective efforts of national regulators. Figure 1 depicts this dramatic contraction.

Fig. 1: Collapse in world trade: sudden, severe, synchronised (change in monthly trade flows between October and December 2008, or latest data). ComTrade data.



Source: The collapse of global trade, murky protectionism, and the crisis: Recommendations for the G20 A VoxEU.org publication Edited by Richard Baldwin and Simon Evenett. Centre for Economic Policy Research 2009. p.1.

In a next paragraph the author will try to discuss advantages and disadvantages of RF internationalized against background of 1990s-2000s economic disturbances.

4. Crises in modern Russian economic history: is internationalization of any help?

For at least one third of its less than two decades-long modern history Russian economic development has been accompanied by severe difficulties and malfunctions of various sorts including current economic crisis. Crisis in general might be defined as a reaction of the particular system on imbalances (violation of some key proportions) between its elements when these imbalances exceed certain affordable limits. Reaction under review in most cases tends to be a) relatively fast and b) pretty painful. The crisis could result either in a restoration of previously violated balance (some key proportions) and hence renewal of what might be called a “regular” operation of the system, or in a collapse of the system.

This general definition basically fits our specific case, namely national economies. In Russian case from the very start of post-Soviet transformation in 1992 the country experienced dramatic contraction of major macroeconomic indicators. Table 1 provides some relevant information.

Tab. 1: Development in selected Russian economic indicators (% of annual changes)

	1992	1993	1994	1995	1996	1997	1998
GDP	-14,5	-8,7	-12,6	-4,0	-3,4	0,9	-4,9
Industrial Production	-18,2	-14,2	-20,9	-3,0	-4,5	2,0	-5,2
Fixed investments	-40,0	-12,0	-24,0	-10,0	-18,0	-5,0	-12,0

Source: www.gks.ru, author's calculations

Even prior to the collapse of the USSR certain limited measures had been introduced in order to liberalize foreign economic relations in general, foreign trade in particular³. Nevertheless, comprehensive overall liberalization came on stage later, as a part of Eltsyn-Gaidar general economic reform.

³ Within the framework of the “classical” Soviet-type economy these operations had been partly totally outlawed, the rest had been the subject of a strict state control.

Initially the idea of free economic interaction with outside world was a very attractive and even magnetic one for many people in Russia. In terms of institutional framework this positive public attitude might be regarded as a set of informal institutions supporting internationalization of Russian companies. This resulted from several main reasons.

First of all, a pure logic of a so-called "forbidden fruit": For many years enterprises as well as, at least to some extent, consumers were rejected from any effective access to the foreign markets. But the more they were rejected, the more they wish to get that access.

Secondly, underestimation of problems and difficulties associated with direct involvement into modern international economic activities. Large part of the country's managers anticipated both foreign trade and other forms of international co-operation as an easy and pleasant job. It mainly resulted from the Soviet historical background. The managers used to operate within the system when almost any foreign business trip was treated as some kind of encouragement (both moral and material) given to them by some senior state or party officials. In addition to basic travel expenses these managers usually got some extra currency sufficient to do a modest shopping and to bring home some goods which were out of the supply in Russian shops. Since their responsibilities during the trips were minimal, quite often the latter appeared to be hardly more than a mere tourism.

Thirdly, one should also consider overestimation of possible gains from foreign economic activities. That false impression was to a large extent cultivated by many representatives of a mass media. In general the idea was more or less the following: "For many years some evil forces didn't allow Russian producers to trade freely. At last now they can do it. Everybody is happy, western consumers are eager to pay the highest prices for Russian goods, western producers are willing to sell to Russia cheaply high quality commodities." In general, the understanding of the facts that foreign markets were very competitive ones (especially for outsiders), that foreign business transactions could inflict substantial losses, and alike took a relatively long period of time. Some economists, politicians, and high-ranking civil servants

surprisingly enough expressed the extreme form of the described above attitude. In fact they claimed that since Russia rejected the communist system and accepted the role of a prodigal son in its relations with Western developed countries, the latter simply had to provide Russia with free financial and material support. More than that, they had to do it on a more or less permanent basis.

Fourthly, traditional Russian attitude towards foreign countries as a whole, foreign products in particular: As a result, ordinary Soviet citizens of 1970s and 1980s, in contrast to the inhabitants of Western countries, used to care very much indeed about the whole sphere of “international”, which, at least subjectively, was of a much greater interest for them than the domestic issues. At the same time, they had some kind of an inferiority complex with regard to the goods made abroad. Any campaign, similar to those conducted in many Western countries under the slogans of “Buy domestic (British, Finnish, Spanish, etc.)”, had absolutely no chances even to be launched (say nothing to succeed) in the Soviet Union during the last couple of decades of its history.

Regardless of the public attitude foreign trade and other forms international cooperation played a significant role in specific pattern of Russian economic development. First and foremost, already in very early stage of transformation geographical composition of country’s foreign trade experienced radical shift towards an obvious dominance of Western countries. In contrast to last years of the Soviet period when share of inter-republican trade (trade between Russian Federation and Georgia, Armenia and Ukraine, etc.) in total USSR foreign trade⁴ had equalled to about 70%, trade between the members of Commonwealth of Independent States (intra-CIS trade) accounted in 1992-1993 for less than a quarter of Russian foreign trade turnover.

In terms of its economic impact disintegration of the USSR as a single economic space undeniably generated enormous problems for almost all the countries involved, contributing greatly to the extent of the economic crisis experienced during most of the 1990s by member countries of the CIS. For example, according to some estimates, up to 60% of the industrial output decline in Russia and other

⁴ Strictly speaking trade between Soviet Republics didn’t totally fit the definition of “foreign trade”. Nevertheless, for the sake of comparison this comparison might be accepted with certain reservations.

former Soviet republics can be attributed to the collapse of Soviet Union (Bykov A. "Rossiya – SNG – mirivoi rynok" *Economica I Zhizn'*. 1995, No5). The reason for this is clear: the structure and composition of the former Soviet economy. One of its key features was an extremely high level of specialization and monopolization. Under these circumstances and with a state monopoly on foreign economic relations, each republic inevitably participated actively in inter-republican trade relations.

Large state enterprises - monopolies in terms of their market share - were the key element of the Soviet economy. Whereas international standards define a monopoly as a firm, which controls more than 30% of the market, there were several markets in the USSR with only one producer for the whole country (e.g. Domestic air conditioners were produced by the only plant in Baku). Official Soviet statistics used to divide the entire range of industrial products into 344 so-called enlarged groups (i.e. markets). In 1989 there were 109 groups with only one producer controlling more than 90% of the entire market and 209 groups in which one producer had a market share exceeding 50%. Tables 2 and 3 illustrate the situation clearly enough. The disintegration of the USSR has also seriously damaged the pre-existing system of cooperation, thus contributing greatly to the economic crisis.

Tab. 2: *Production of selected products by individual Russian enterprises in 1993*
(% of total output)

Enterprise	Type of product	% of total Russian output
PO "Kolomenski zavod"	Diesel locomotives	100
PO "Novocherkasski electrovozostroitel'ni zavod"	Electric locomotives	100
Tverskoe PO vagonostroenija	Railway passenger carriages	86
Zavod "Bezhetsksel'mash"	Flax combine	100
Trolleibusni zavod im, Urizkogo	Trolley buses	100
PO "Leningradski metallicheski zavod"	Steam turbines	80
PO "Rostsel'mash"	Combine harvesters	81
AO "Tulamashzavod"	Motor scooters	100
Tikhorezki mjasokombinat	Meat goggles for children	100

Tab. 3: *Concentration of Russian industrial production in 1993*

Branch of industry	Share of total Russian output (%)
--------------------	-----------------------------------

	3	6	10
	enterprises	enterprises	enterprises
Electrical engineering / Electricity Generation	11.7	18.5	25.6
Fuel industry	12.3	22.7	34.1
Ferrous metallurgy	26.4	40.2	52.0
Non-ferrous metallurgy	26.2	39.7	48.7
Chemical industry	8.9	13.4	19.0
Mechanical engineering	12.6	16.3	19.8
Timber, wood-processing and paper industry	5.4	9.4	13.5
Construction industry	4.1	6.2	8.4
Light industry	4.0	7.0	10.1
Food processing	3.9	6.0	8.4

Source: Vorozheikin V.N., Rybakov F.F. Demonopolizatsiya ekonomici kak element rynochnyh otnoshenii. SPb. Gidrometioizdat. 1994, p.28,37.

As for economic interaction with Western countries at least with respect to foreign trade one has to consider different types of influence on national economy. First of all, instantaneous opening of Russian market to foreign goods helped to increase supply and overcome dramatic shortage of many basic products. At the same time, expansion of foreign trade operations clearly revealed inability of many Russian enterprises and even the whole branches of industry to compete successfully with the foreign firms. A very substantial part of the companies, which suddenly got direct access to foreign markets, had no experience in the field. As a result they paid more and got less. Anonymous foreign trade expert was asked at that time whether it was true that 4 from each 5 Russian enterprises doing business with foreign partners were cheated. He answered that actual ratio was 5 from 5. According to some estimates, as a result of the foreign trade liberalization Russia only in 1992 lost as much as \$20-40 bn.

Nevertheless, in spite of this type of losses Russian foreign trade in clear contrast to all other macroeconomic indicators experienced during 1993-1996 impressive growth. Table 4 provides vivid illustration of above-mentioned.

Tab. 4: *Development of Russian GDP and foreign trade*
(% of annual changes)

	1992	'93	'94	'95	'96	'97
GDP	-14.5	-8.7	-12.6	-4.0	-3.4	0.9
Exports	.....	23.7	11.7	22.2	8.9	-3.1
Imports	.....	14.5	11.9	24.1	8.8	5.7

Source: *www.gks.ru, author's calculations*

This trend looks strange in light of standard economic approach. Indeed, basic theory suggests that foreign trade should in general increase as a result of growth of GDP and *vice versa*. Under the circumstances elasticity of a foreign trade with respect to national output is positive. So, one is really tempted to ask how it happened that in Russia elasticity of foreign trade with respect to national output was NEGATIVE for such a long period of time?⁵

In order to answer the question it seems reasonable to look a bit more specifically at two components of Russian foreign trade - import and export separately. In case of the former standard theory assumes that import transactions result from the internal demand, which is directly linked to national GDP. But Russian import behaved differently.

According to the author of a present paper perception it was due to several factors. Their significance differs from year to year. But for the period as a whole all of them were relevant. These factors included:

- *"Economy of shortages" legacy*, which especially during the first years of transition manifested itself in two major ways. First one was commodity hunger, when after the period of severe lack of basic foodstuff and consumer goods consumers were eager to buy almost everything. The second one was kind of a shock generated by Western marketing methods (advertising, nice looking wrapping, etc.) almost entirely unfamiliar to the bulk of Russian population.

⁵ For more detailed discussion of the phenomenon see: *Mysteries and Puzzles of Modern Russian Economy*. Ed. by Sergei F. Sutyryn. Turku School of Economics and Business Administration. Business and Research Development Centre. Series B Research Reports. B 13/1999. Part 3.

- *Inflationary pressure*, which also was especially high during initial stage of transitional period. Here consumer behaved quite rationally - they bought as soon as they could and hence generated additional demand. Imported goods matched the latter to a very large extent.
- *Declining living standards* typical for the substantial part of Russian population mostly in line with standard economic theory resulted in growth of their MPC (marginal propensity to consumption). Initially (during the pre-transition period) these people had been deeply involved in savings in order to accumulate enough to buy a flat, a car or some other consumer durables. When just a theoretical possibility to do that disappeared, they started to consume more food, clothes and other products, which constituted a large share of Russian import.
- *Crowding out of domestic products by foreign ones* was at that time probably one of the most important dimensions of a kind of discussed above «inferiority complex» with regard to foreign unfortunately typical for many Russian citizens. Both old and young have a strong perception that almost any product made abroad was *paribus ceteris* of better quality than domestic one. As soon as due to the liberalization of foreign trade supply of the former grew tremendously, consumers switched to foreign goods.
- *Internal prices almost equalled external ones* as long as the process of transition went on. During the last couple of years under review that was just another additional incentive for import in contrast to the situation of early 90s, when domestic products in general had been really much cheaper than foreign ones.
- *Relative stabilization of national currency* within the framework of so called «sliding currency corridor» applied from July 1996 also helped to keep the demand for imported goods high.

In case of export its main «driving force» originates from the outside demand for the products of domestic manufacturers. Economic performance of the countries where Russian export was mainly destined during the period under review *per se* in general gave no ground for its substantial increment. More than that, under the conditions of economic recession (even of substantially less magnitude in

comparison with the current Russian crises) international competitiveness of domestic companies normally suffers and thus suppresses export.

Nevertheless, as already was mentioned, Russian export in 1993-1996 has grown fast enough. Here, as in case of import, several factors were relevant changing their significance from year to year. According to author's opinion these factors were:

- *Substantial gap between internal and external prices.* After the abolishment of a foreign trade state monopoly and the system of centralized planning Russian companies in general became free to choose their customers between domestic and foreign consumers. In spite of severe inflation during first several years of transition the prices paid by the latter were still higher than prices paid by the former. Under the circumstances export in many cases really was «the first-best solution» for those Russian companies which could handle it.
- *Very low starting point* for export during the period under review obviously should be taken under consideration. Indeed, unless one makes certain adjustment with regard to the fact that export of 1992 equalled to only 59.6% of export in 1990 and the level of the latter wasn't entirely regained even in 1996, the whole picture is incomplete and in a sense misleading.
- *Undervalued rouble* (according to many experts that was the case mainly in 1993-1994) totally in line with the assumptions of traditional theory helped to secure international competitiveness of Russian goods. Hence, it was just another incentive for the companies of the country to sell their products abroad.
- *Strategy of risk minimization.* For RF companies the bigger was the scale of their activities in the West, the lower was the risk. Minimisation of risks for the CIS exporters was based mostly on stability of payments from Western partners and stability of tariffs and other international "rules of the game" compared to the Russian ones.
- *«Forced export» phenomenon.* According to the standard perception the firm would normally try to enter foreign markets as long as it expands, i.e. after and on the basis of more or less successful operations within the domain of internal market. In contrast to that, many Russian enterprises during the

period under review sold their products abroad literally in order to survive. The customers at home had no money to finance their input. So, they either did not pay at all, or provided their output in kind to meet their obligations *versus* suppliers. Under the circumstances severe lack of the current assets was a matter of life and death for the substantial part of Russian companies. Foreign customers, who paid for the products they bought, from that crucial, albeit in a sense short-term, perspective appeared to be the clients of top priority never mind if the prices they offer hardly covered expenses or even inflicted losses for manufacturers.

In order to illustrate this very interesting (at least from the point of view of this paper subject-matter) phenomenon one can consider situation in the Russian pulp and paper industry. Since October 1995 international pulp and paper prices have been going down (with one exception of paper for newspapers). Earlier the Russian government had launched a strong currency regulation policy that reduced the dollar income of exporters. The combination of two factors - the fall of prices in the market and the new currency policy of the government - resulted in the situation when the Russian pulp and paper exporters' profits in fact were reduced to nil.

Logically thinking this situation should push the Russian pulp and paper producers to stop export. But it did not happen in reality, since without export manufacturers of the product would not get any money at all. Costs of pulp and paper producers were going up because of the growth of prices on fuel, electricity, etc. At certain moment it was also almost impossible for the producers to get loans either for investment purposes or even in order to cover operative expenses. Under the circumstances the only way to get at least some money for the industry was to export.

We could see similar situation in the ferrous metallurgy. Up to the late 1980s the USSR had been one of the major both consumers and producers of ferrous metals. In the middle of the 1990s industrial consumers of the product in Russia couldn't afford to pay the prices domestic producers demanded. These prices resulted from high costs of energy, extremely high rail way tariffs and taxes. Lack of money forced the former Soviet ferrous metal producers to export a large share of their product.

Export prices in this case were almost the same as cost of production. Nevertheless, western consumers could pay immediately, unlike those who represented Russia and other CIS member states. They needed much longer time for payment or had no money at all.

In general these developments resulted in a threatening trend of certain kind of isolation in case of outward-oriented industries/companies. Table 5 illustrates the situation.

Tab. 5: *Export share in total production of selected goods in Russian economy (in %%)*

	1992	1993	1994	1995	1996
Crude oil	35.4	34.7	40.2	39.7	42.9
Natural gas	30.2	27.6	30.4	32.3	34.2
Mineral fertilisers	69.3	72.0	75.2	77.5	78.4
Pulp	40.8	66.4	79.1	78.5	88.5

Source: "Economica i zhizn" 1997 No 13.

With constantly growing share of production being directed to foreign customers these companies/industries also largely tended to spend their revenues abroad. As a result they generated relatively small additional domestic demand, thus partly depressing less internationalized part of national economy and challenging its structural integrity. This Russian version of a famous Dutch disease dramatically overlapped with centrifugal processes of in regional disintegration.

After a short period of what could be perceived (at least statistically for 1997) as stabilization Russian economy experienced yet another impressive disturbance – namely August 1998 crisis with unilateral suspension of payments to domestic and foreign creditors and experience of almost 4-fold devaluation of the rouble for about two months. In terms of statistics Russian GDP contracted almost five per cent in 1998. It had not contracted so abruptly since 1994.

The magnitude of the crisis was to a very large extent facilitated by what might be called as external forces (substantial decline in world prices on oil, pressure of IMF, financial crises in South-East Asia, etc.). At the same time, the crisis itself influenced immensely the whole sphere of Russian international economic operations and hence directly influenced positions and interests of Russia's main foreign trade partners, foreign investors and other similar businesses. In particular, the government both in terms of declarations and undertaken practical steps became more orientated towards protection of domestic manufacturers as well as fiscal considerations associated with custom duties.

On the other hand, due to dramatic devaluation of RUR foreign companies lost substantial part of their competitiveness *vis-à-vis* Russian businesses. According to the survey conducted by "The Boston Consulting Group" ("*Ostajutsja v Rossii*" *Expert №1-2 1999. P.42-43.*) November 1998 sales of Western subsidiaries in Russia were in average equal to 50% of pre-crisis level and forecasts of 2000 USD nominated demand were expected to reach as little as 80% of 1997 one maximum. As a result many MNCs were forced to adjust their competitive strategy to fit "new reality".

Among these adjustments were:

- shift of the product mix (either exclusive and very expensive or really chip products, demand for medium segment has gone);
- attempts to weaken "price peg" to USD (discount exchange rates, reduction of prices on some foreign cars, etc.)
- comprehensive minimization of expenses⁶.

In their turn Russian companies also faced crisis challenges. They tried to react accordingly. In particular, "Clothes Factories of St.Petersburg" (FOSP) - the best Russian light industry company of 1998 - as a result of the crisis, was forced to facilitate its long-prepared switch from foreign suppliers to domestic ones to cover up to 80% of the total input. (*Nevskoe Vremja. January30, 1999*)

Financial and economic disturbances of August 1998 had substantial negative impact on Russian foreign trade. In some specific cases reduction was really

⁶ One specific point seemed to be relevant here - the higher the "rouble share" in total costs the easier for the company to handle the problem. This could provide additional incentives for growth of inward FDI. Meanwhile in a short run it largely didn't happen.

dramatic. One of the two largest custom-houses in North-West region of Russia of that period - "Baltic custom-house" reported that during September-October 1998 total volume of imports which went through St.Petersburg sea port contracted 6-fold (!) in comparison with pre-August period, total amount of cargo custom declarations contracted 2.7 times and total volume of custom duties - 2-fold in ruble terms (5-fold in USD terms). According to another largest custom-house of the region - "St.Petersburg custom house", during the second half of 1998 import of certain commodity groups (meat and meat products, oil processing products transport equipment) was entirely blocked. (*Nevskoe Vremja. February 2, 1999*)

At the national level reduction was less severe. In line with previously discussed it is worth mentioning that negative elasticity of foreign trade with respect to national output typical for 1993-1996 turned into positive. So, in the whole 1998 4.9% contraction of GDP and 5.2% contraction of industrial production were accompanied by 15.1% drop in merchandise export and 18.7% drop in import⁷. GDP, industrial production and export started to grow already in 1999, while import – only in 2000. These developments clearly indicated that it took Russian companies some time to adjust their performance in order to exploit opportunity window of import substitution. As a result merchandise trade surplus in 1999 almost equaled to import and in 2000 exceeded it by more than 30% - respectively \$36.1 bn against \$39.5 bn and \$60.1 bn against \$44.9 bn. (*www.gks.ru*).

Ten years after notorious August 1998 Russian economy once again was hit, this time by global economic crisis, which with enormous speed spread from country to country precisely due to the fact that they in the process of internationalization/globalization were closely linked to each other. While discussing ongoing processes notions of "financial crisis", "economic crisis", "crisis of capitalism" are frequently used. Being quite close to each other and largely overlapping these notions are not identical. They have their own focuses. The first one deals with a relatively independent sub-system of national economy constituted by various types of financial middlemen operating with a whole bunch of financial instruments. Many crises of the past started in financial sector, and the current one

⁷ These data also support abovementioned point of high relative volatility of the foreign trade.

continues this trend. The second notion in principle has two possible meanings. It relates either to the whole national economic system (including financial sub-system) or to what is known as “a real sector”, i.e. industrial production, agriculture, construction (in contrast to financial sub-system). In terms of current events both meanings assume expansion of the crisis beyond financial sub-system, which makes overall situation more problematic and painful. At last the third notion deals with a social-economic type of society existing nowadays in most countries on the globe. Here in contrast with two previous notions describing what happens, the emphasis is on why it happens and whether similar crises could be avoided in the future.

From this point of view capitalism could be defined as a type of society with market mechanism being the main tool coordinating business activities within its framework. One can hardly imagine capitalism without thousands and thousands of various independent economic actors striving separately for their own benefits. Meanwhile, coordinating capacities of market mechanism have always been limited. Under the circumstances gradual accumulation of imbalances and disproportions appears to be inevitable ultimately generating crises. In general, even taking under consideration relatively large level of regulatory activities typical for example to many developed countries in Western Europe and Eastern Asia, capitalism has no real alternative to the crisis as a tool to restore abovementioned key imbalances and disproportions.

Imperatives of globalization tended to add dimension to the problem. The author already mentioned that the latter forced companies to expand the whole spectrum of their operations (starting from R&D and production, ending with bringing products to ultimate consumers) far beyond national borders towards all major economic regions of the world. The process resulted in creation of huge chains and networks operating under private control and spreading over and between the continents. Growing complexity of the system requires higher precision in regulation, which is still largely based on the same market principles. More than that, due to globalization local and partial disproportions via abovementioned chains and networks often expand internationally finally hitting almost each and every country on the planet. Current crisis provides clear evidence of that.

Within the framework of numerous discussions on various aspects of current economic disturbances an idea of “new capitalism” as a strategic tool for global modernization is frequently advertized. Two points look significant here. Firstly, the term “capitalism” *per se* due to different reasons is far from being neutral. Negative attitude to it is typical for a substantial part of population all around the globe. It is not by chance that in contrast to its alternative – term “socialism”, which in a recent history was incorporated in official names of several countries (Union of Soviet Socialist Republics, Socialist Federative Republic of Yugoslavia, etc.), “capitalism” didn’t get the same status. Neither United Capitalist States of America, nor Federative Capitalist Republic of Germany have existed, exist and have any real chances to emerge. Even Friedrich Hayek, who had well deserved “high priest of the free market” reputation once claimed: “The word capitalism was invented by enemies of the market system and conveys the erroneous impression that the system is in the interests only of capitalists” (*Now! 1981 No75, P.27*). Secondly, adjective “new” also doesn’t look either promising or appropriate. Indeed, history of capitalism has been accompanied by economic crises of various scope and magnitude for almost two hundred years (the first one has happened in 1825). Since the first half of XIX century capitalism has experienced several transformations/renovations. None of them have changed ultimate nature of the system. They also failed to free it from crises. To summarize: if we want something really new the core of the system should be changed and cease to be “capitalism”. If we prefer to have “capitalism” it will preserve its core, then novelty would be quite limited.

In a specific case of Russia current crisis at its initial stage was not perceived (both by RF authorities and many foreign experts) as a serious threat for Russian economy. This might be explained by several factors, namely relatively underdeveloped RF real estate/mortgages market and high oil prices, which allowed to accumulate large financial reserves. Later on official attitude presented by both Vladimir Putin and Dmitri Medvedev as well as by top ranking civil servants changed. Now they admitted that crisis has already hit national economy and would bring substantial damage, especially if state intervention is inadequate and poorly managed. Nevertheless, state officials are relatively optimistic. In particular they claim that crisis might “help” to move economy towards “innovation-based pattern”

and launch new phase of RF economic development. In contrast to that, critics argue that authorities underreport the scale of recession and are not able to react adequately largely ignoring in their stabilization measures interests of ordinary people in favour of business leaders and bureaucracy.

As for the impact crisis had for international economic operations, several markets contracted severely indeed. Sharp reduction in sales of foreign car (both brought from abroad and assembled in Russia) provides may be the most vivid example. At the same time, in some other cases current developments continue (albeit often facilitating) longer trends. In particular, for the third year in a row share of households' monetary income spent on purchase of foreign currency tended to grow and for the whole 2008 equaled to 7.9%. On the other hand in October, November, December, when RUR went through the period of devaluation, it was 12.8%, 12.1% and 14.9% respectively (www.gks.ru).

At the national level Russian foreign trade turnover in October-December 2008 equaled to 77.4% of the same period of 2007 (export – 71.1%, import – 86.6%). Meanwhile, being roughly of the same magnitude with at least half of the countries depicted in Figure 1, these data *per se* might make a wrong impression. The point is that they are strongly influenced by a very sharp decline in world oil prices. In particular, actual export price of Russian oil equaled in December 2008 to 53.5% of December 2007 level, while in comparison with peak price of July 2008 it was only 36.7%. As for the volume of Russian oil export, for the whole 2008 it contracted by 6% against the level of 2007 and started to grow in December 2008 in comparison both with previous month and December 2007. On the top of that one should take under consideration that just crude oil accounted for 24.3% of total RF merchandise export in December 2008 and for 34.4% - in whole 2008 (www.gks.ru).

Does this, if only partly, imply that those Russian companies deeply involved in export operations are better equipped to resist current crisis comparing to their foreign counterparts? So far we haven't got enough information to give any definite verdict. Nevertheless, comparison of recent developments experienced by various industrial sectors might provide some clue. Relevant data are presented in Table 6.

Tab. 6: Monthly changes in Russian industrial production
(%% in comparison with the previous month)

Month	Total industrial output	Extraction of mineral resources	Processing industry
September 2008	101.4	98.3	102.0
October 2008	102.8	99.7	100.4
November 2008	89.2	94.2	84.7
December 2008	103.8	102.3	101.6
January 2009	80.1	97.0	67.3

Source: www.gks.ru

Available statistics suggests that at least during last three months smaller domestic orientation of output typical for RF mineral resources extraction helped to support industrial performance. Export operations were in the most cases not sufficient to secure positive economic growth. At the same time without them contraction would be more substantial, if not really dramatic. For example, largely due to the impressive expansion in export of mineral fertilizers in 2008 (74.4% growth in case of nitric fertilizers and 2.6-fold (!) growth in case of potash ones) contraction of output in comparison with 2007 was relatively minor – 6% only (www.gks.ru).

5. Conclusion

The author by no means pretends to provide comprehensive analysis of the impact, which difference in internationalization levels typical to certain Russian companies might have on their sustainability during the periods of economic disturbances. More profound approach would require expansion of discussion beyond merchandise trade towards trade in services, FDI, labour mobility and other forms of international economic collaboration. It also seems sensible to deal separately with the effects of inward and outward internationalization. It goes without saying that all these tasks far exceed limited volume of the present paper.

Nevertheless, already at a current stage of investigation one might conclude the following:

- Two out of three crisis periods in modern Russian economic history (August 1998 and current economic crises) clearly demonstrate the same higher volatility of national foreign trade with respect to fluctuations of GDP as global trade in general;
- Period of 1993-1996 provides a rare example of negative elasticity of foreign trade (both export and import sides) with respect to GDP;
- Abovementioned dynamics of foreign trade suggests that both for the companies involved in particular and for the national economy in general this hypostasis of internationalization both provides substantial extra opportunities ("forced export" phenomenon as a vivid illustration) and is associated with serious additional risks;
- In a sense internationalization might be perceived as an expensive tool, which every economic agent nowadays has to buy almost regardless of its wishes and preferences. To those who know how to use this tool it brings higher productivity, competitiveness and other gains. Those who lack necessary skills have extra expenses with no rewards.

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THE SUSTAINABLE COMPETITIVENESS OF BUSINESSES AND COUNTRIES IN CENTRAL- AND EASTERN EUROPE

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Abstract

A year ago, when the first signs of the global financial crisis could be noticed, even prime ministers did not believe that the tides of the crisis would reach CEE countries. Now that some countries of CEE found shelter under IMF to avoid financial collapse, CEE countries have received larger attention how they can cope with the problems. This paper analyzes the causes of the financial and economic crisis in some CEE countries, and seeks the answer, what are those factors that differentiate these countries from western countries, and among themselves. The paper also analyzes the impact of foreign direct investments, developing concerns that governments overestimate their role in the stabilization process of their economies and initiate the over expenditure of government budget, loosening strong fiscal policy. The problems of Euro adoptions are also considered.

1. Introduction

Around two decades ago the hope was great, expectations are high and the majority of citizens, living in countries with one party system and without options for other and different political and economical policies defined by the actual political regime, happily plunged into the market economy. Maybe they thought, owning the possibility of free and democratic elections would automatically provide a sustainable growth and welfare for the Central and Eastern European countries. There existed a post cold war settlement that rested on three conditions:

- namely, that Western style politics was both trustworthy and efficient in contrast to the failure of communism,
- the welfare capitalism and the integrations into Western markets would produce prosperity
- and joining the European Union would provide a guarantee of economic and political security, moreover a field for sustainable growth.

Indeed, especially during the first half of this decade, CEE countries developed their competitiveness and economies with a rapid, breakneck pace, and their economy grew well above the average of the countries in the European Union. The table below indicates this unprecedented fast growth:

Tab. 1: *The growth of GDP and the volume of FDI in some CEE countries*

Countries	Growth of GDP 2002-2007, %, y-o-y	Foreign Direct Investment 2002-2007, % of GDP
Latvia	9.1	4.8
Estonia	9	6.8
Bulgaria	6	11.6
Lithuania	7.8	3.4
Romania	6.2	6
Hungary	4	2.5
Slovakia	6.1	7.5
Czech Republic	4.5	5.4
Poland	4.4	3
Slovenia	4	1

Source: Eurostat

By the spring of 2009, these are all over, and the numbers describe events in the past. Latvia, Hungary, Romania have turned to International Monetary Fund and other foreign lenders to help them out from the financial crises. This dramatic rescue has helped to avoid financial collapse but cost of the swift financial help is certainly and will be painful, and it is questioned whether the price of the bail out is tolerable by the society and people, who enjoyed the advantages of the flood of foreign currencies into their economy and households through many years and now, they should pay it back with a currency devaluated sometimes by 20-30%. And people are to the barricades, the riot in Riga, the fall of the Hungarian socialist government, continues demonstrations indicate that the road ahead us is rather bumpy. Lithuania has pushed through tough wage and spending cuts and tax rises, similarly to the plans of the new Hungarian government, if it survives at all, and new elections will not be initiated. It seems that the post cold war settlement listed above

is at risk now. Obviously, at different extent in different CEE countries, the signs of crises can be witnessed everywhere.

This study intends to uncover the sources of economic problems CEE countries are facing - especially Hungary, because of the availability of richer data set. First the existence and nature of the crisis are identified, and this part of the paper primarily focuses on macro and world economic issues, while the second part of the paper proves that the long run sustainability of CEE economies mainly depends on the competitiveness of the micro economic sector. The primary conclusion is that problems can be fixed if we identify the major sources of the crisis and cure them one by one. The sources of the problems can be aligned into the following main categories:

- The consequences and problems of globalization, its effect on different countries,
- The economic and social policies of governments,
- The role of foreign direct investments
- The competitiveness of the private sector.

The sections of the paper below follow this segmentation.

2. Are CEE countries in as bad state as western analysts preach and are they all the same?

No, definitely not. This short answer is valid for both questions, but no doubt, Central and Eastern European countries are facing serious difficulties from which it will not be easy to escape. The whole region has been moving into, or in best case, is in its worst recession since the collapse of the socialist systems, and the outlook for the numbers of the future is terrible: in 2006 Latvia's economy was still growing by an astonishing 12% per year and now 12 % drop in gross domestic product is predicted, 10 % and 5% for Ukraine and Hungary, respectively. Although these are the latest numbers, according to a European Commission survey from January this year tells us that there are large drops in the industrial production and gross

domestic product of more stable economies as well. Table 2 indicates these numbers.

Tab. 2: *GDP and industrial production % change on a year earlier basis*

<i>Countries</i>	<i>2009 GDP forecast</i>	<i>Nov. 2008 industrial production</i>
Latvia	-7	-14
Ireland	-5	+3
Estonia	-5	-18
Lithuania	-4	-7
Germany	-3	-7
Spain	-3	-15
France	-3	-12
Hungary	-3	-7
Poland	+1	-5

Source: Ecostat

Latest news are even more sad, according to the Hungarian Statistical Office, the degree of the decrease of the industrial production in Hungary on a year-on-year bases is 20% at the first quarter of the year. But the situation is not better in the miracle economy of the world, in China, where the plunge is close to -30% at the production of electronics and informatics related goods, while China's export decreased by 25.7 % during the first two months of the year 2009 (Hungarian News Agency, April 6, 2009).

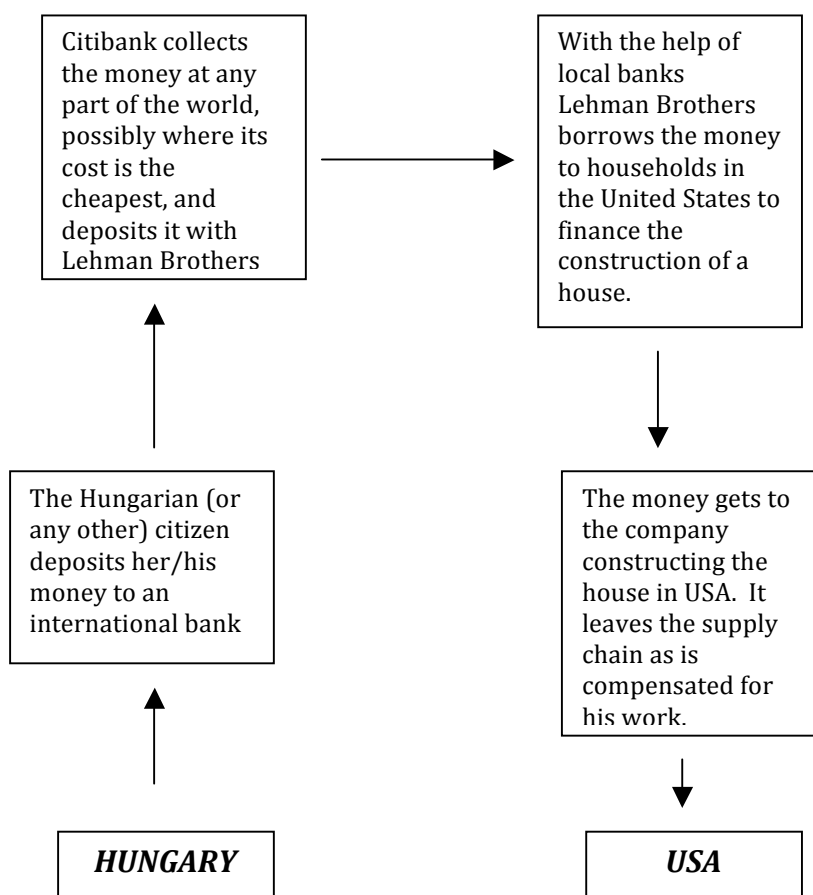
These numbers clearly indicate the economic crisis is a world wide phenomenon, hitting industrial nations with a larger magnitude, and there are only some countries that could resist and expect growth of their economy such as Poland as we mentioned, moreover Albania and Azerbaijan.

The primary explanation for the prompt and deep world wide economic recession is the intensity of globalization not only in the manufacturing, but at the service sector as well. Globalization has been speeded up by the development of information

systems on an astonishingly rapid pace, the efficiency increase of the transportation system, and the disappearance of financial and trade barriers.

While around hundred years ago the cost of a one minute telephone conversation from Europe to Australia was almost equal with a monthly average salary, today a university student can easily afford it, and even fifteen years ago money could not flow freely from a CEE country to another one. Today we can transfer money from most of the CEE countries to any part of the world, sitting in our living room in front of the computer. The information age and the decrease of the cost of transferring goods and money have led to the extension of supply chains. Nowadays a supply chain may expand from China to USA, or from China to Finland, possibly through Hungary, where more than 60% of the Nokia phones sold in Europe are produced.

Fig. 1: *The effect of a global financial supply chain*



The supply chain is a production network that today comprehends almost the whole world, and consequently if at any part of this network something starts causing

resonance in it, it has effect on the other parts. There is no difference in the nature of manufacturing and bank services in this respect. The problem is that banks rule the heart of the economy and if something goes wrong with it, its effect is geared and this leveraged effect can hit hard on the innocent economies, and extremely hard on economies that had made serious mistakes in their economic policies and made them weak by the time when the tide of the crisis reached them, like Hungary, or Baltic states

Here is one example and a real story why the expanded supply chain in the not well regulated banking sector can produce unbelievable examples and bankruptcy in the life of businesses and families at the other end of the world: one of the friends of the author of these lines was approached last summer by the shiny Citibank, expanding and opening a series of bank branches in Hungary, to transfer his money from OTP Bank – the only Hungarian bank not privatized to foreign professional investors, a shareholding commercial bank with retail activities, with Hungarian management -, to their one, offering a lucrative investment opportunity. Then, two months later he received a letter from Citibank, expressing their greatest regret, that unfortunately they invested the money deposited by my friend, into Lehman Brothers and as Lehman Brothers got to be bankrupt, he had lost all his money. Let us follow the figure above, and one can see, why irresponsible lending policy results poisoning assets. Unfortunately, the financial supply chain depicted above does not work backward, when there are poisoning assets, namely when the US household is not able to pay back the loan. Because first of all, the financial strength of the borrowers, had not been examined at all. The irresponsible, non prudent lending policy was exercised with so large extents that banks lost assets in large volumes, and finally became bankrupt. Now, many experts believe, Lehman Brothers and other banks should have been rescued. Not because of the bankers. Even, not because state aid will create an efficient financial industry. Saving the banks, deserving or not, is supposed to keep finance flowing to all firms.

The longer financial supply chain spurs the development of more sophisticated financial products as well. Here is another example, again based on a real story. Probably, involved into the crisis earlier than Hungarian banks and thus having more information and practice, Deutsche Bank could manage pushing through the

purchase of options by a couple of banks in Hungary. Roughly, the meaning of these options is that if the price of a Euro would be more than 310 HUF, than the Hungarian bank should pay the difference to DB, and if not, than DB would pay the Hungarian bank who purchased the option. Alone the financial product is rather sophisticated, however the Hungarian bank branch purchasing the option twisted further on the characteristics of the innovative financial product. Partitioning the options into smaller pieces and adding different characteristics and services, a new product was born, and they sold the brand new product to VIP partners of the bank. When DB offered this option, the exchange rate of the Euro was 230 HUF, and during latest weeks, many times above 310. As the VIP partners simply did not understand the nature of the financial product and trusted in the bank, they could not estimate correctly the risk of the financial product they purchased. Some of these VIP partners lost their full fortune.

The next effect of the financial globalization is also devastating. During the course of privatization the governments of most CEE countries got rid of the responsibility of supervising the reasonable process of privatization and threw to the hands of the western professional investors. The drawbacks of this procedure can be seen more clearly than ever: Austrian banks for example rapidly penetrated into CEE countries, enjoying a large market share. This advantage became a drawback now: Austrian banking system is the most vulnerable, with Central and Eastern Europe accounting for nearly half of its foreign loans. Italian banks are exposed to Poland and Croatia, and Scandinavian institutions to the Baltic states. Austria's lending to Eastern Europe is equivalent to about 80% of its GDP. This huge exposure of the Austrian banks forces them to dry up the money supply channels and – in my knowledge -, there is no cost on which the headquarters at home would provide financial resources for branches abroad. Thus these institutions stop fulfilling their mission: keep finance flowing. Consequently, countries where foreign ownership is large, are suffering the most. Table 3 provides some insights into the role of foreign banks in different eastern European countries.

Tab. 3: *% share of foreign ownership in capital*

<i>Country</i>	<i>% share of foreign ownership in capital</i>
Kazakhstan	8

Russia	25
Ukraine	35
Romania	75
Poland	75
Latvia	78
Hungary	80
Bulgaria	80
Lithuania	85
Czech Republic	90
Slovakia	95
Estonia	97

Source: Moody's

Besides the external, imported problems there are series of mistakes the governments of CEE countries made in economic policy – at a level varying country by country, that exacerbates further the depth of the crisis. The next section explains these causes.

3. Some characteristics of economic and social policies of CEE countries

Beyond the consequences of the degree of participating in the international flow of capital, the economic and social policies of CEE governments results in large differences among the states, vulnerability and competitiveness of these countries. Economic policies of different countries have led to different level of indebtedness and sometimes have drifted them very close to a full collapse. Latvia and Hungary are among the worst example, who rushed to under the umbrella of the International Monetary Fund and other foreign lenders. In the early 2000's Hungary planned adopting Euro in 2006, and especially after 2002, slipped farther and farther from the introduction. In 1998 the Party of Young Democrats inherited the economy with 58% general government debt of the GDP, passing it to the Socialist Party with 52% in 2002. At the end of 2008, it levels at 72%, according to the IMF contract (see attached). The situation is the result of spending continuously more than the income of government, and close to twenty years after the disappearance of

the socialist system, nobody has touched essentially the health care, the education and the pension system. Concerning pensions, Hungary preserves its leading rank on the list exhibiting the ratio of average pension to average wages. Higher education and health care are more or less free, and many times social subsidies well excel minimum wages. Hungary's fiscal balance is far worse than its counterparts in CEE. Table 4 well indicates the intolerable fiscal policy of the Hungarian governments.

Tab. 4: Budget and current account balance of some CEE countries

Countries	<i>Fiscal balance as % of GDP, 2002-2007</i>	<i>Current account as % of GDP, 2002-2007</i>	<i>% of foreign resources loans 2006</i>
Latvia	-0.9	-14.4	86
Estonia	2	-12.3	80
Bulgaria	1.4	-11.1	50
Lithuania	-1.2	-8.6	55
Romania	-1.8	-8.3	54
Hungary	-7.5	-6.9	57
Slovakia	-3.7	-5.5	20
Czech Republic	-4.1	-4.2	13
Poland	-4.5	-3	24
Slovenia	-1.7	-1.8	n.a.

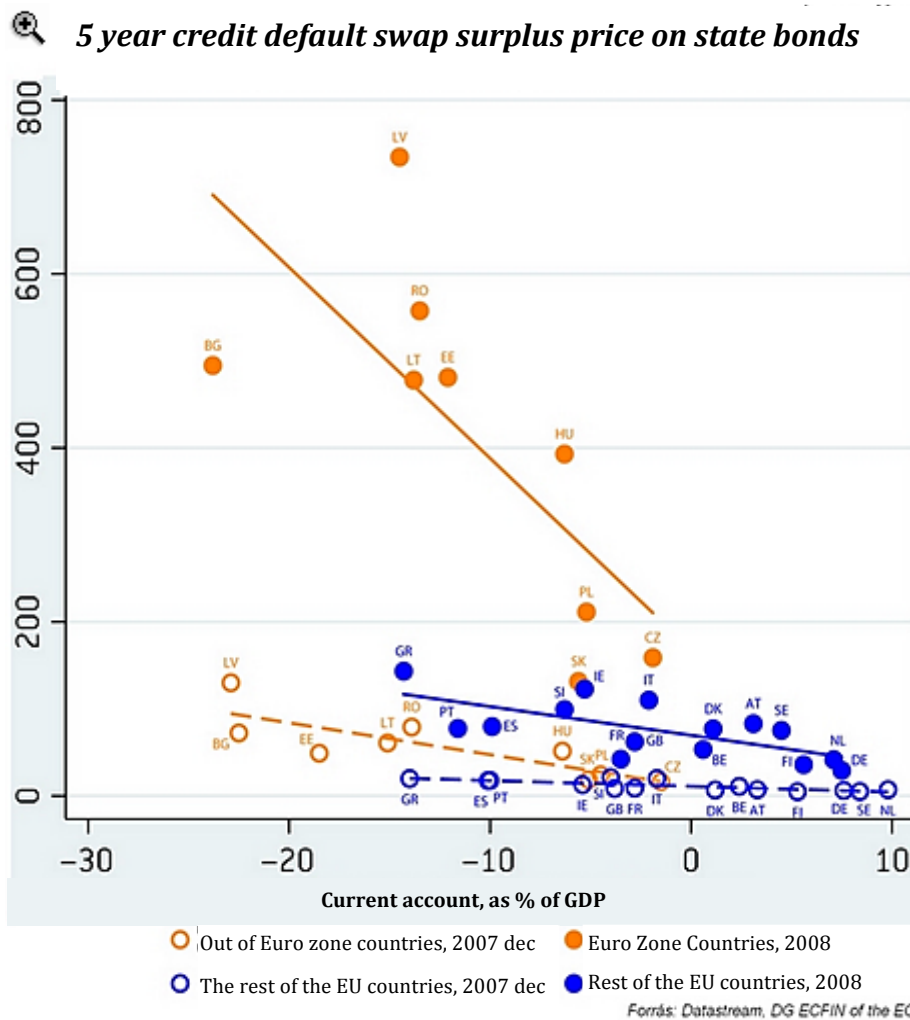
Source: Eurostat

The unleashed spending of some governments in CEE continuously pushed upward the interest rates of local currencies, soaking up the money of financial markets. The long standing high interest rates have provided excellent market niche for foreign banks to utilize their financial resources accumulated in Euros, Japanese yen, or Swiss frank. The external resources were exchanged to local currencies providing lucrative profit margins for foreign banks. The large deficit of the current account, the overspending the government incomes, the large portion of loans financed from foreign resources, all have increased the vulnerability of many CEE countries.

The supposed vulnerability of CEE countries has increased the cost of available resources to finance the economy. Figure 2 gives a good overview how the latest circumstances have modified the expected future of CEE countries, and how rapidly the picture of the expected future has changed. While the position of the old EU countries has not changed a lot, the new EU members have to pay large price for their irresponsible fiscal and monetary policy. The exceptions are Slovenia, Poland, Czech

Figure 2: CDS on state bonds

The deficit of the fiscal balance is continuously low, consequently the interest rates of the local currencies are low that does not fuel foreign owned banks to finance loans by dumping foreign currencies into CEE countries.



Despite of the fact that the position of the CEE countries has been significantly devaluated, yet we believe the problems of CEE countries sometimes are over exaggerated. First of all, we have proved that the crisis was not initiated by CEE countries, and ethically the policy of foreign banks is questionable as when they

have financial resources in excess they draw profit out of these countries, and when the financial supply chains are drying up, CEE countries are the first where the taps are locked. However, it seems to be obvious that certain EU members perform less efficiently than the average of the CEE countries in terms that are crucial to estimate the financial stability of an economy. We mentioned already that although the annual growth rate of the economy is decreasing everywhere, there are CEE countries, like Poland for example, where the growth rate of the GDP is expected to be positive in 2009. The estimated 1% growth is low as it is, but the number is higher than for any west European country. As mentioned, the only European states with a better 2009 outlook are outposts such as Albania and Azerbaijan.

It should be mentioned also that the gross external debt of Eastern Europe, that includes Russia, Turkey and Ukraine, is €1,300 billion according to the Bank for International Settlements. Which is really huge, but in Western Europe, United Kingdom alone has €3,500 bn gross external debt, according to Erste Bank- one of the Austrian banks having huge stakes in eastern Europe. Erste emphasizes also that net positions should be considered, where debts are offset against claims against other countries. The OTP Bank of Hungary for example expanding in Central and Eastern Europe rapidly and successfully has gained large market shares in Ukraine, Russia, Slovakia, Bulgaria, Serbia, Croatia and Montenegro, having claims in Euros. Considering net debt, on relative basis Malta seems to be the most vulnerable country as the net debt of the country levels at 300% of its GDP. The new European tiger, Ireland's net debt is more than 200% of its GDP. The debt-laden Hungary seems to be pioneer and prudent at this camp with its 55% ratio.

For countries intending to join the Euro zone, the ratio of public debt to GDP may not exceed 60 %. Hungary's number currently is 70%, but the old EU member Italy may afford a 100% public debt of its GDP, and Hungary's 70% is close to the average of the Euro zone. Total domestic bank assets are 100% of the GDP in CEE countries compared with the 250% of the Euro zone. The explanation is that households and corporate debts are well below the west European level. Table 5 provides some numbers concerning the indebtedness of households and corporations in selected CEE countries.

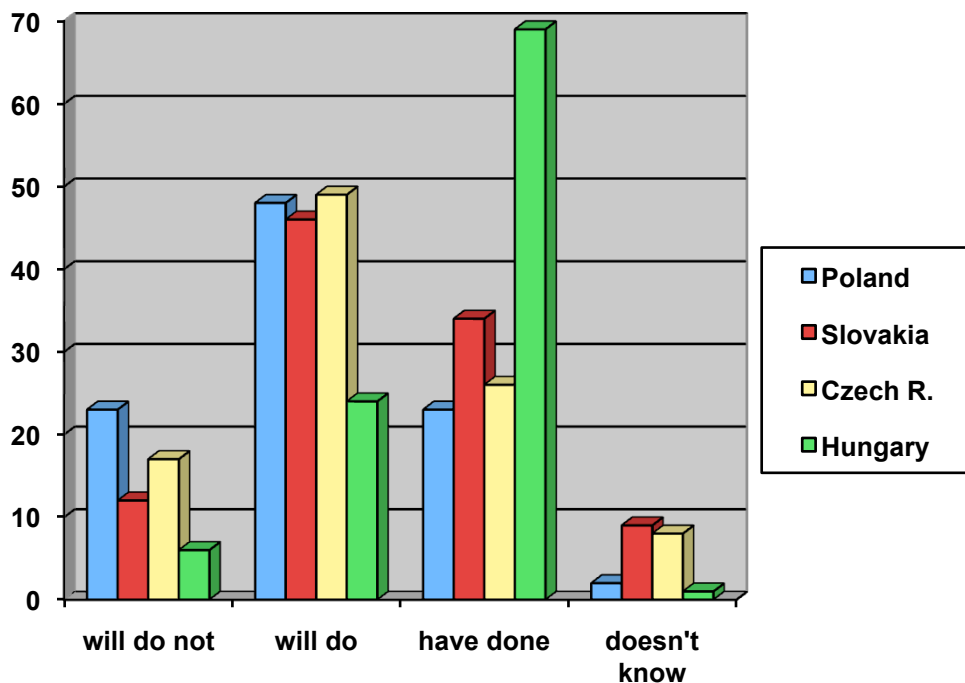
Tab. 5: Loans and deposits in selected CEE countries

Countries	Loans, as % of GDP, 2008		Deposits as % of GDP, 2008	
	households	corporations	households	corporations
Croatia	40	32	50	15
Montenegro	30	50	22	25
Bulgaria	23	45	30	24
Ukraine	35	45	22	12
Slovakia	17	25	30	17
Romania	17	20	18	10
Serbia	12	20	18	13
Russia	10	45	14	10

Source: OTPBank, annual report

Additionally, even western experts believe that Eastern Europe's economies are already proving to be more flexible than Western Europe's in responding to the crises. Although there are lost jobs everywhere CEE countries are going further in cutting pay for the remaining staff. In spite of the fact that wages are much lower than in the Western Europe, private employers are making reductions of up to 30%. In Latvia, ministers have taken a 15% hair-cut and are preparing something similar for civil servants (Financial Times, March 18, 2009). Moreover, the years of the economic turmoil around and before 1990's better prepared these nations for such a shock than west Europeans. The Hungarian currency, the forint for example, has got additional support from pledges of sharp spending cuts by the new prime minister-designate, and the price of Euro dropped to 290 HUF from 310 two weeks ago. Maybe the latest survey of the Central European Opinion Research Group on Visegrad countries (as of April 10, 2009) gives a good summary of the thought above. See Figure 3.

Fig. 3: *Has the crisis affected your family?*



The figure above well indicates the affect of the crisis on different countries. Definitely, where the global crisis is accompanied with irresponsible fiscal, economic and social policy of the government, the magnitude of the affect is much larger. Attachment 2 also provides a recent survey on different CEE countries.

4. The future of adopting Euro in CEE countries

The crisis has increased the desire of adopting the Euro as quickly as possible fueled by the belief that in the Euro zone, the shelter is provided. No doubt, the Euro zone gives protection against exchange rate risk and against shocks at times of financial crisis, but at the same time it should be clear that Euro does not mean medicine against all risks. The current turmoil in Greece and the problems of other EU countries may indicate that strong Euro sometimes decreases the competitiveness of certain countries, and with the adoption of Euro, the role of tools to increase

competitiveness are narrowed. As mentioned before, weaker local currencies have improved the competitiveness of the non Euro zone, i.e. lacking Euro, with monetary policy, competitiveness can be improved.

Although sooner or later the out-of-Euro-zone EU countries will adopt Euro, it seems currently that the date of enlargement is farther than before the crisis, and high labor costs and prices may decrease the competitiveness of the already in the Euro zone Slovakia. In order to join the Euro zone, four criteria must be met: the harmonized price consumer index may not exceed by more than 1.5% the average of the three lowest performing Euro zone countries, the long term government bond yields may not exceed by more than 2% the average of three countries with the lowest inflation in the Euro zone, the balance of the annual government budget may not exceed the 3% of the GDP, and the general government gross debt may not exceed the 60% of the GDP.

Table 6: .Performance under Maastricht before the crisis

Harmonised Indices of Consumer Prices		Long term government bond yields		General government surplus (+) or deficit (-)		General government gross debt	
April 2008: 12-month average rate of change		April 2008		2007		2007	
Average of three lowest EU member	1.9	Average of three lowest inflation countries	4.42				
Reference value	3.4	Reference value	6.42	Reference value	-3.0	Reference value	60.0
Malta	1.90	Euro area	4.30	Bulgaria	3.4	Estonia	3.4
Slovakia	2.40	Slovakia	4.46	Cyprus	3.3	Latvia	9.7
Euro area	2.60	Slovenia	4.47	Estonia	2.8	Romania	13.0
Cyprus	3.20	Lithuania	4.59	Latvia	0.0	Lithuania	17.3
Poland	3.40	Cyprus	4.60	Slovenia	-0.1	Bulgaria	18.2
<i>Czech Republic</i>	<i>4.80</i>	Czech Republic	4.72	Euro area	-0.6	Slovenia	24.1
<i>Slovenia</i>	<i>5.00</i>	Malta	4.77	Lithuania	-1.2	Czech Republic	28.7
<i>Romania</i>	<i>6.40</i>	Bulgaria	4.80	Czech Republic	-1.6	Slovakia	29.4
<i>Hungary</i>	<i>7.30</i>	Latvia	5.93	Malta	-1.8	Poland	45.2
<i>Lithuania</i>	<i>8.00</i>	Poland	5.99	Poland	-2.0	Cyprus	59.8
<i>Estonia</i>	<i>8.80</i>	<i>Romania</i>	<i>7.34</i>	Slovakia	-2.2	<i>Malta</i>	<i>62.6</i>
<i>Bulgaria</i>	<i>10.10</i>	<i>Hungary</i>	<i>8.02</i>	Romania	-2.5	<i>Hungary</i>	<i>66.0</i>
<i>Latvia</i>	<i>13.00</i>	Estonia	na	<i>Hungary</i>	<i>-5.5</i>	Euro area	66.6

Source: Eurostat

As Table 6 indicates, before the crisis, the increase of the price index was the number one enemy.

By 2008, even Hungary's fiscal balance falls below 3%, however in the course of the crisis, meeting the long term government bond yield criterion seems to be the most difficult issue. According to most notable experts, the primary cause is the drying up foreign portfolio investment inflow from the west that formerly pushed down long term interest rates. However not only the supply side has dried up, the demand side has increased as well due to governments' financial needs caused by the slowing down economy. As Table 7 indicates, the future does not look bright.

Table 7: Fulfillment of Maastricht criteria
(latest available data)

Harmonised Indices of Consumer Prices		Long term government bond yields		General government surplus (+) or deficit (-)		General government gross debt	
December 2008: 12-month average rate of change		December 2008		2009 (19 January 2009 forecast of DG ECFIN)		2009 (19 January 2009 forecast of DG ECFIN)	
Average of three lowest EU member	2.6	Average of three lowest inflation countries	3.57				
Reference value	4.1	Reference value	5.57	Reference value	-3.0	Reference value	60.0
Euro area	3.3	Euro area	3.71	Bulgaria	2.0	Estonia	6.1
Slovakia	3.9	Malta	4.17	Cyprus	-0.6	Bulgaria	12.2
Poland	4.2	Czech Republic	4.30	Czech Republic	-2.5	Lithuania	20.0
Cyprus	4.4	Slovenia	4.56	Malta	-2.6	Romania	21.1
Malta	4.7	Cyprus	4.60	Slovakia	-2.8	Slovenia	24.8
Slovenia	5.5	Slovakia	4.72	Hungary	-2.8	Czech Republic	29.4
Hungary	6.0	Poland	5.70	Lithuania	-3.0	Slovakia	30.0
Czech Republic	6.3	Bulgaria	7.76	Estonia	-3.2	Latvia	30.4
Romania	7.9	Hungary	8.31	Slovenia	-3.2	Cyprus	46.7
Estonia	10.6	Romania	8.38	Poland	-3.6	Poland	47.7
Lithuania	11.1	Lithuania	9.00	Euro area	-4.0	Malta	64.0
Bulgaria	12.0	Latvia	9.03	Latvia	-6.3	Euro area	72.7
Latvia	15.3	Estonia	na	Romania	-7.5	Hungary	73.8

Source: Eurostat

5. The role of Foreign Direct Investments

Many researchers and even more politicians are tending to look over the significance and role of FDI, and they mainly talk about the volume of foreign debts, that would be the only important thing. This is like when business people would neglect the volume of share capital in the books, and not considering equity, the debt value would be alone important. But, FDI has played large role in amplifying

the crisis in CEE countries, and not recognizing its role will cause surprises in the future.

The impact of the liberalization of moving financial capital between countries is important as:

- Regulation of incoming financial capital is not the privilege of national banks anymore,
- Commercial banks, business entities can directly borrow money,
- FDI eases the responsibility of financial decision makers, however one has to consider the total external financial need of an economy.

The components of the total external financial need are:

- Equity capital (= E): FDI and portfolio investments,
- Foreign debts (= D) of business entities and government.

It is very important to note, that not only the debt capital, but each component of the external financial resources requires strict return considerations. The incoming foreign direct investments seemingly decrease the responsibility of financial decision makers at national level, but if the income side of the expenditure is not filled up by the benefit of increasing efficiency of the invested capital but loans, the practice easily leads to *an unmanageable gap*.

By experts, the governments of emerging economies are tending to consider this positive shock permanent, which finally terminates in a negative shock. According to the conventional views, the international movement of financial capital is driven by the lack of resources, and this external resource behaves like the substitute of domestic savings. Consequently, domestic savings are substituted by foreign financial resources. It is also proved that dependable macroeconomic circumstance, reliable banking system and capital markets foster and increase the volume of foreign debts.

The ratio of foreign total capital (= L) and the GDP is a good efficiency indicator, as the cost of using this capital must be produced out by the 'real economy'

(businesses). The L/GDP ratio is increasing in each CEE country during the last 10 years (see Figure 4)! This means that in the future, expressed in volume, more and more money should be transferred back to foreign countries from where FDI came. On the other hand, governments are tending to adjust pensions and other consumptions of the society to the increase rate of GDP whilst, as the benefit of operating FDIs, a significant share of the GDP are in the hands of foreign investors. The return on FDI, the cost of FDI must be produced out by the surplus of export over the import on the long run. Thus countries, where the ratio of foreign equity is high (see for example the capital structure of Hungary, Figure 5) over GDP and export is a key driving force of the GDP (see Figure 6), must be very competitive. Unfortunately Hungary is slipping backward and backward in this race among nations. However, as always, in every bad, there are some good things. The effect of the global crisis, together with consequences of the irresponsible economic policy of the government, has hit Hungary so strongly that radical changes are unavoidable. While Hungary had been losing ground in the competitiveness of nations (see Table 8), the weak Hungarian currency suddenly made Hungary more competitive. One of the pleasant outcomes of this week is that Hungary offers the best value for tourist according to the Association of Austrian Traveling Agencies. No doubt, the west and north part of Hungary are full with shoppers from Austria and Slovakia, respectively, which is the simplest way for the increase of country's export.

Fig. 4: The L/GDP ratio

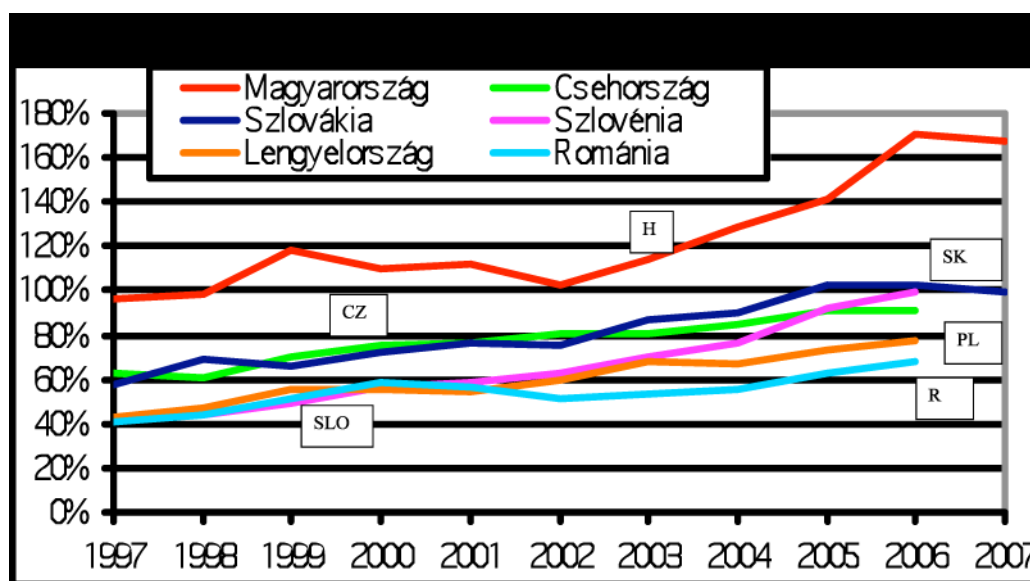


Fig. 5: The structure of foreign capital in Hungary

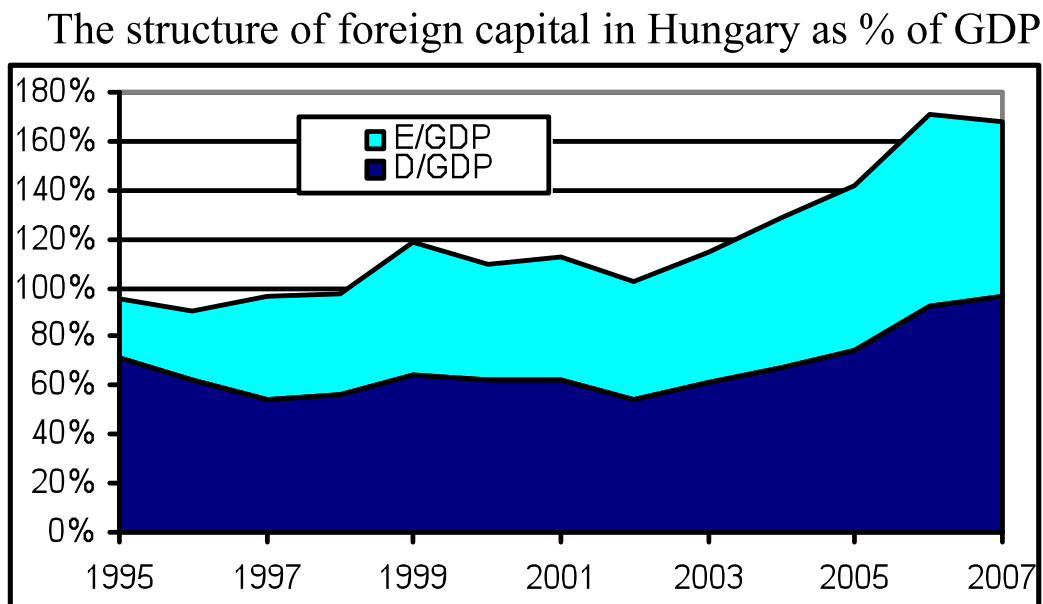
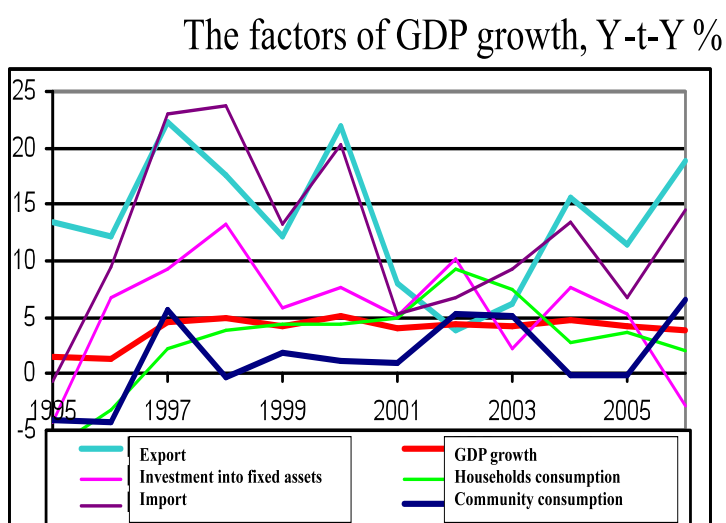


Fig. 6: The driving forces of GDP



Tab. 8: *Competitiveness of selected nations*

Competitiveness rank for some CEE countries by World Economic Forum

	<i>H</i>	<i>CZ</i>	<i>SK</i>	<i>SLO</i>	<i>EST</i>	<i>notes</i>
2001	28	37	40	31	29	H is the first
2002	29	40	49	28	26	EST takes over
2003	33	39	43	31	22	SLO takes over
2004	39	40	43	33	20	--
2005	39	38	41	32	20	CZ takes over
2006	41	29	37	33	25	SK takes over
2007	47	33	41	39	27	H is the last
2008	62	33	46	42	32	H is well behind

Note: the rank is made for 75 countries in 2001, while for 134 in 2008)

6. Conclusions

This short study summarizes briefly the effects and symptoms of the world wide economic crisis and we pointed out that this effect is different in different countries. The world wide global economic crisis is amplified with different extent again by different countries, mainly depending on their fiscal and monetary policy. At large extent it can be stated that countries not exposed to foreign trade largely, especially by manufacturing, and having large domestic market, will survive easier the crises than those, where manufacturing goods export plays large role, the domestic market is small, and additionally their monetary and fiscal policy left the country without reserves.

We question also whether western decision makers, politicians, business people form opinions correctly connected with the state of CEE countries when only the most debt-laden Hungary approaches the 70% public debt-GDP ratio, which is the average of EU countries, and there are players in EU having the number of 100%! The net debt ratio of Hungary is 50%, while certain EU countries top their level at 200-300%. Moreover, the poisoning assets were accumulated not in CEE countries, and mainly by not CEE bankers. If something is poisoning in CEE, that is the foreign origin financial asset lent by the subsidiaries of western banks and now to decrease their risk, they cease their mission: to keep finance flowing. The medicine for this is that governments and politicians should stop giving more and more promises to their electors that there is no limit on government spending. These decisions are painful for the people, however will save the nation.

It seems to be quite certain that the financial crisis has pushed further the date of Euro adoption for CEE countries not joined the Euro zone yet. Before the crisis restricting the unleashed inflation seemed to be the difficult task, now there are more. A very important conclusion is that countries should make progress and meet Maastricht criteria in the Euro adoption process in a sustainable manner during good times and during bad times utilize the benefits of the situation at least (using monetary policy).

While most analysts focus on indebtedness, on the long run, the role of FDI may be very important. The pouring of this capital into CEE countries is not free, mainly local wages and taxes are left in the country only. The long run competitiveness of the nation depends on the density of those companies that are competitive. They are competitive on cost, quality and flexibility. However, these capabilities required behind this performance can not be purchased and are not free on the market. Long development and learning path are required and to acquire this, a different culture and more efficient labor are needed. Acquiring these is a much tougher job than implementing a disciplined fiscal policy.

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Attachment 1: Hungary: Stand-By Arrangement

Access: SDR 10.5 billion (1015 percent of quota).

Length: 17 months (through end-March 2010).

Phasing: SDR 4.2 billion was made available after the Board's approval of the arrangement on November 6, 2008. The second tranche, subject to the completion of this (first) review, amounts to SDR 2.1 billion. Subsequent disbursements are contingent upon completion of further quarterly reviews.

Conditionality

- Quantitative Performance Criteria

- A floor on the central government system primary cash balance.
- A band around the 12-month rate of inflation of consumer prices
- A floor on the change in net international reserves.
- Non-accumulation of external debt arrears.

- Quantitative Indicative Target

- Ceiling on the total debt stock of the central government system.

- Structural Performance Criteria

- Submission to parliament of all legislative changes required to implement the measures on pension reforms (as described in LOI 15, first bullet point). By end-March 2009.
- Submission to parliament of amendments to the Financial Stability Act (as listed in LOI 18). By end-March 2009.
- Establishment of a subcommittee of the Financial Stability Committee to monitor the financial soundness and stress-resilience of banks that receive capital or funding support from the government (as described in LOI 18). By end-March 2009.

- Structural Benchmarks

- Passage by parliament of the amendments strengthening the remedial powers of the HFSA and bank resolution regime (as listed in LOI 20). By end-June 2009.
- Development of an action plan to strengthen the operational capabilities of the HFSA in the field of on-site bank examinations. By end-May 2009.
- Operation of the subcommittee described in LOI 18 as long as there is any government capital or funding support outstanding to banks, and consultation of the subcommittee with Fund staff on its work program. Continuous.

Attachment 2: How the financial crisis is affecting eastern European countries inside and outside of the European Union (Reuters, Feb, 2009)

BULGARIA -- Bulgaria's farming industry, once a main stay of the economy, has shrunk to 5 percent of GDP from 25 percent in the past decade. Cash-strapped producers suffered again in 2008 after the EU froze millions in farm aid over graft. The crisis may erase Bulgaria's gains over the past decade because its main export market, the EU has fallen into recession. Trade unions say some 50,000 people are likely to lose their jobs in 2009.

CZECH REPUBLIC -- The economy is highly open and dependent on exports, which in gross terms account for about 70 percent of GDP. The financial system has been relatively unaffected by the initial phase of the global financial crisis, but was hit from a collapse in demand from key export markets. Over 45,000 people lost their jobs in January, bringing the unemployment rate up 0.8 percentage points to 6.8 percent, the highest level since April 2007. The government has said growth could contract by up to 2 percent.

HUNGARY - Hungary, which escaped the crisis by way of a \$25.1 billion IMF-led loan in October, planned to cut its budget deficit below 3 percent of GDP and decided on new spending cuts worth 200 billion forints (\$856.6 million) in 2009 to prevent an overshoot. The economy is under pressure from a collapse in demand in

the euro zone, its key export market, and the economy is expected to sink into a recession of up to 3.5 percent.

POLAND -- Economic growth slowed to 4.8 percent in 2008 from 6.7 percent in 2007. Poland is seen as more resilient due to its large internal market and only around 40 percent of its economy is based on exports. But industrial production fell almost 15 percent year-on-year in January and foreign direct investment is expected to fall by as much as 40 percent in 2009, mirroring the trend seen elsewhere in the region.

Poland's specific problem is currency weakness that has hit companies with bad currency option bets, causing some to go bankrupt, and raised the principle and payments of people with foreign currency loans. The government expects growth of 1.7 percent in 2009.

ROMANIA -- Parliament approved Feb. 20 the 2009 budget earmarking more than 10 billion euros (\$12.60 billion) to lessen the pain of sharp economic slowdown. Romania will also decide if it needs to help from the EU or the IMF. Unemployment rose to 4.9 percent in January from 4.4 percent the previous month. Several major industrial companies announced job cuts after demand was hit.

SLOVAKIA -- Industrial output fell by 16.8 percent year-on-year in December, the sharpest fall at least in 10 years. Slovakia expects its export-orientated economy to be hurt by the crisis as demand for its products slows in the West. Analysts in a Reuters poll forecast Slovakia would grow by 2.2 percent this year.

SLOVENIA - Forecast 2009 growth of around 1.1 percent, downgraded from the previous forecast of 3.1 percent. It has so far taken steps to subsidise companies which have shortened working hours due to lower demand, eased the tax burden and made available state guarantees for bank loans in a total amount of 12 billion euros (\$15.37 billion).

NON-EU COUNTRIES:

RUSSIA -- Economy is set to contract in 2009 for the first time in a decade. Around 300,000 Russians lost their jobs in January after collapsing commodities prices and months of market crisis. The number of jobless jumped to 6.1 million or 8.1 percent of the workforce versus 7.7 percent the previous month. Russia forecast on Feb. 17 the economy would contract by 2.2 percent in 2009. Growth in retail sales slowed in January to 2.4 percent year on year from a 16.3 percent increase in Jan. 2008.

SERBIA -- Expects to conclude a 2 billion euro (\$2.52 billion) loan with the IMF by April as growth is seen falling short of earlier official estimates, Prime Minister Mirko said on Feb. 20. Cvetkovic said it would most probably grow between 0.5 and 1 percent after the fall in fiscal revenues since the beginning of 2009. By contrast, last week, Serbia's central bank said the economy was most probably heading into recession. Serbia's economy grew 5.5 percent in 2008.

UKRAINE -- Industrial output has shrunk by over a third -- the worst drop in over a decade. Machine building and mineral production both contracted by over half year-on-year. Thousands of workers have been put on unpaid leave as a consequence of the drop. Ukraine's banks have also been hit as its Hryvnia currency plummeted, with three banks put in receivership last week, including the seventh largest, the Nadra Bank. Political turmoil has delayed policy making to combat the crisis and has threatened a \$16.4 billion loan from the International Monetary Fund, which failed to agree last week on disbursing a second, much-needed tranche.