Preface

The Russian roller coaster continues. After a decade of 7 percent annual growth, Russia suddenly faced a plunge of 8 percent of its economic output in 2009. This was quite a blow for a proud emerging economic power. Some commentators even suggested that the “R” was falling out of BRIC (Brazil, Russia, India, and China), the group of largest emerging economies with high economic growth. Russia is unlikely to face significant financial problems in the foreseeable future, but in the long term a large number of structural problems have accumulated, from corruption to demographic changes, many of which this volume discusses.

When Barack Obama became president in January 2009, he launched a policy of “resetting” US-Russia relations. It is still early to pass a judgment on the success of this new policy, but US-Russia relations have certainly improved and intensified. A bilateral commission has been established with 16 working groups, and bilateral relations have once again widened and deepened. Presidents Obama and Dmitri Medvedev have established a close personal relationship. Signing the new START treaty on April 8 in Prague is the most tangible success, but important cooperation has also developed in transit of supplies to US forces in Afghanistan and in dealing with Iran’s nuclear program. Less discussed in public, but of perhaps greater importance for the bilateral relationship, is the maintenance of peace in Georgia. The key question in foreign economic policy is whether Russia will finally join the World Trade Organization. The conclusion of this volume is that it should and that it could gain very substantially from accession.

The statement has been made many times before, but after the global economic crisis Russia once again stands at a crossroads. One trajectory is
the current “inertia scenario” with a severe “energy curse” leading to continued pervasive corruption, little diversification or innovation, and low economic growth. The alternative is renewed market reform and much higher economic growth. Obviously, this is a key political choice, but to a considerable extent it may be determined by the world oil price: The higher the oil price, the less the incentive for the Russian leadership to carry out reforms, and ironically the lower Russia’s long-term economic growth is likely to be.

Four years ago, the Center for Strategic and International Studies (CSIS) and the Peterson Institute for International Economics (PIIE) teamed up on the China Balance Sheet project to provide a basis for sound and sensible judgments about China. Two years ago, we did the same for Russia in the Russia Balance Sheet project. We believe that US policies toward Russia must rest, first and foremost, on a firm and factual analytical footing. The Russia Balance Sheet project’s primary purpose is to provide comprehensive, balanced, and accurate information on all key aspects of Russia’s developments and their implications for the United States and other nations. The first book in this project, The Russia Balance Sheet, coauthored by Anders Åslund and Andrew C. Kuchins with input from many contributing authors, was published in April 2009. It tried to provide an overview of Russia’s current dilemma as a new administration entered the White House, offering a clear Washington outlook and concluding what Washington could and should do.

This second volume has been written in the aftermath of the global economic and financial crisis and has been a full-fledged US-Russian cooperative project, as the eminent New Economic School (NES) in Moscow has become a partner with PIIE and CSIS. This book includes contributions from leading American and Russian experts on their topics of investigation. Unlike the first book, this is an edited volume providing more insights into Russia’s current economic and foreign policy dilemma.

The book is only part of the activities of the Russia Balance Sheet project. The pinnacle was President Obama’s speech at the NES in Moscow on July 7, 2009. In Washington, PIIE and CSIS have had the honor of cohosting Minister of Finance and Deputy Prime Minister Alexei Kudrin and First Deputy Prime Minister Igor Shuvalov. The book will be discussed at the Russia Balance Sheet session at the St. Petersburg International Economic Forum in June 2010. The NES organized a workshop for the book in Moscow in November 2009, and CSIS and PIIE cohosted a large number of seminars during 2009 primarily devoted to discussing the chapters in the book.

This project has been codirected by Anders Åslund, senior fellow at PIIE, Andrew C. Kuchins, director and senior fellow of the Russia and Eurasia Program at CSIS, and Sergei Guriev, Morgan Stanley Professor of Economics at and rector of NES.

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