

Event report

State of Russian Economy and Russia's Development Path

The CEU [Center for European Neighborhood Studies \(CENS\)](#) together with the [Friedrich Ebert Stiftung](#) hosted a conference on 21 November 2016 entitled “The state of the Russian Economy and Russia's development path”.

The goal of this conference was to explore and discuss the current state and the future prospects of the Russian economy, from the perspective of recent geopolitical trends and EU and US imposed sanctions. Since there is no consensus on what actually qualifies as sanction, in this context, the conference served as a platform to discuss its different understandings. The debates focused on finding out whether the sanctions (and counter-sanctions) were efficacious and on identifying their potential negative effects for all stakeholders.

In his opening remarks, Michael Ignatieff, President and Rector of CEU warned the audience about the dangers of the Russian economic crisis becoming a question of ideology, emphasizing the role of the University to share responsibility and knowledge. Jan Niklas Engels, director of the Budapest office of the Friedrich Ebert Stiftung added his own views about the state of the Russian economy and asked the essential question of the conference: is there a non-Western economic and political alternative for Russia?

In the first panel, chaired by András Deák, head of research at the Institute of World Economy, Hungarian Academy of Sciences, the speakers discussed the state of Russian economy of the oil prices and sanctions. The first speaker, Vasily Astrov, economist at the Vienna Institute for International Economic Studies and country expert on CIS, outlined the current macroeconomic situation of Russia, explained the main factors behind the current economic crisis (outlining the energy dependence of the Russian economy the sanctions and policy dilemmas) with a brief outlook for future prospects. “A modernization driven by foreign investment would be essential for the Russian economy, but it will require political concessions” – he added. Andrey Chernyavskiy, Senior Researcher at the Center for Development Institute, National Research University Higher School of Economics, drafted the financial



history of Russia and talked about today's challenges, drawing the conclusion that the management of the current crisis highly depends on the controlling of budgetary consolidation, which will, nevertheless, come at a high price in terms of public expenditure. In her presentation, Tatiana Romanova, expert on EU-Russian relations, focused on the overall impact of

sanctions, dividing them into four categories, based on their impact: thematic, institutional, economic, and structural consequences. Sanctions are – according to her – unlikely to be lifted in the near future, basically, because on the short term this setup is optimal for the domestic politics in Russia and possibly in the EU as well. Consequently, an economic strategy needs to be established according to the new situation. Closing the first panel, Andrey Belyi, Associate Professor at the University of Eastern Finland, highlighted the main structural difficulties of the Russian energy sector, and stated that sanctions – “although [they] don’t have a drastic effect on the state of the Russian society, and neither they correspond to the original interests of the issuers – they accumulate with low oil prices, and deteriorate the development of modern oil- and gas-drilling technologies, aggravating the sector’s already troubled situation.”

The second panel, chaired by Anatoliy Reshetnikov, mainly focused on political issues. According to Andrey Makarychev, Guest professor at the University of Tartu, who spoke about Russian foreign policy towards the West, the main question is whether there is an intention of Moscow to soften its relations with the West. With a closer look on Russian policies one can find cases when Moscow followed a strategy of non-cooperative actor, partly cooperative or cooperative hegemony towards neighbouring countries. Mr Makarychev also highlighted the importance of rhetoric – often offensive toward the West and post-Soviet countries – used as a tool in Russian propaganda and media presence. Yulia Nikitina, research fellow at the Center for Post-Soviet Studies at MGIMO analysed whether Russia could suggest a non-Western alternative for the post-Soviet space via its propagation of its domestic model and global vision of World order. She assumed, that although Russia does have an own understanding of the World order and has tools to promote its values, but it doesn’t really have an audience, since post-Soviet countries are usually trying to avoid Russian influence. Finally, Nikolay Petrov, visiting fellow at the European Council on Foreign Relations emphasised the transitional nature of domestic political environment of President Vladimir Putin’s political regime. Not only it is different



from the one before 2014 – he said – it is transitional even today: elites and the President are more and more dependent on each other, the legitimacy of the regime shifted from electoral to military and economic legitimacy. Given the economic crisis, together with ever weaker formal institutions, change can occur within a very short period. Finally, Mr Petrov suggested that political reform

is necessary but won’t fix all of the problems the system is facing (like decreasing popularity of the United Russia party).

Although all speakers agreed that the sanctions imposed have both economic and political consequences, opinions were divided vis-à-vis the Russian political elite's perception of said sanctions. Some argued that there is no sustained effort to fight those sanctions, while others asserted that it is important for the Putin-led government to moderate their impact, because of the long term negative effects on several strong Russian business interest groups.

The presentations were followed by a lively questions and answers session, and the concluding remarks by Professor Péter Balázs, Director of CENS.

Such debates transcend the sphere of academic research and are relevant for students, policy makers and entrepreneurs alike.

The report was made with the help of Fanni Ozorai and Annamária Lévai, CENS interns.