

## Competitiveness Report Underlines Importance of Innovation to Russia ' s Growth Potential

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- The World Economic Forum ' s The Russia Competitiveness Report recognizes Russia ' s growth potential can match the other BRICs while acknowledging the country is currently falling behind India, China and Brazil in terms of competitiveness
- Key competitive advantages include an educated labour force, large market size, and natural resources
- Key competitiveness challenges are underdeveloped institutions, stifled competition, declining quality of education, underdeveloped financial markets and low business sophistication
- Innovation could become a key driver of growth in the future should a comprehensive national framework be put in place
- Watch video interviews with Margareta Drzeniek Hanouz, Director, Senior Economist, Centre for Global Competitiveness and Performance, World Economic Forum and Alexey Prazdnichnykh, Partner, LLC Strategy Partners, Russian Federation, and download the full report profiling 27 economies, rankings and more at <http://www.weforum.org/rcr>
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Vienna, Austria, 6 June 2011 – The Russian Federation has been falling behind other large emerging BRIC economies, China, India and Brazil as productivity has been stagnating. However, the country has the potential to grow at similar levels to the other BRICs, provided it takes policy action to raise competitiveness, according to The Russia Competitiveness Report 2011, which was produced by the World Economic Forum in collaboration with Sberbank and Strategy Partners Group. The report was launched today in Vienna during the lead up to the World Economic Forum on Europe and Central Asia, 8-9 June.

Over the past year, Russia has seen a negative trend in its competitiveness performance. The country ' s productivity has been stagnating due to a number of shortcomings in the country ' s business environment. Russia ' s three key assets, the educated workforce, natural resources, favourable geographical location combined with an important market size could thus not be capitalized upon.

Going forward, the country will have to address five key challenges to raise productivity: (1) institutions will have to be upgraded and the rule of law must be strengthened; (2) improving the quality of education will be important for maintaining Russia ' s human capital advantage (3) more intense competition and the fostering of entrepreneurship would significantly benefit the Russian economy; (4) continued strengthening of the resilience of financial markets and facilitating access to finance for business are key to economic growth; and (5) business sophistication will grow in importance in the future, as the country moves away from natural resources, so mechanisms to transfer knowledge and experience in this field need to be considered.

The special focus of this report is on innovation. A comprehensive national innovation framework should take into account short-term issues such as more focus on technological upgrading and not neglect long-term challenges such as support for innovative SMEs and higher public expenditure on R&D. This would enable the country to further tap into its innovative potential, which is based to a large extent on the availability of human capital and strong R&D capacities.

“ As an optimist, I believe in Russia ’ s future economic successes. I think that this nation has vast economic potential, and I do not see any objective fundamental barriers hindering its development. What is needed here are timely and well-planned efforts by the government and the business community, ” said Herman Gref, Chairman of the Board and Chief Executive Officer, Sberbank.

“ This report is a contribution to understanding the key factors determining prosperity and economic growth in the Russian Federation, benchmarking it against other countries that have been more successful in raising income levels and providing economic opportunities for their respective populations. It offers Russian policy-makers and business leaders an important tool in the formulation of improved economic policies and institutional reforms, ” said Klaus Schwab, Founder and Executive Chairman of the World Economic Forum.

Alexey Prazdnichnykh, LLC Strategy Partners, Russian Federation, and co-editor of the report said, “ Creating new highly productive jobs in tradable industries and attracting competence-based FDI should be targeted as goals and desired outcomes of the new pro-competitiveness policy agenda for Russia. Moving towards these aims would enable the country to achieve simultaneous progress on economic and social aspects of development in a natural manner. ”

“ Russia could grow at a pace similar to the other BRIC economies but challenges across a number of areas of economic policy keep the country from realizing this considerable potential, ” said Margareta Drzeniek Hanouz, Senior Economist and Director, Centre for Global Competitiveness and Performance, World Economic Forum, and co-editor of the report. “ Major efforts to reform the institutions and finalization of the WTO negotiations are key priorities and would send important signals to the international community that Russia is moving in the right direction. ”

“ Russia's economy has huge potential, but far-reaching reforms are required to strengthen institutions and foster innovation. The Russia Competitiveness Report will help policy-makers and business leaders alike to better address the challenges and capitalize on the opportunities of the new Russian reality, ” said Stephen Kinnock, Director, Head of Europe and Central Asia, World Economic Forum.

The Russia Competitiveness Report ’ analysis is based on the Global Competitiveness Index (GCI), developed for the World Economic Forum by Xavier Sala-i-Martin and introduced in 2004. The GCI, the core methodology of the Global Competitiveness Report, is based on 12 pillars of competitiveness, providing a comprehensive picture of the competitiveness landscape in countries around the world at all stages of development. The pillars are institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labour market efficiency, financial market development, technological readiness, market size, business sophistication and innovation.

The rankings are calculated from both publicly available data and the Executive Opinion Survey, a comprehensive annual survey conducted by the World Economic Forum together with its network of [Partner Institutes](#) (leading research institutes and business organizations) in the countries covered by the study. This year, over 13,500 business leaders were polled in 139 economies. The survey is designed to capture a broad range of factors affecting an economy ’ s business climate. The report also includes comprehensive listings of the main strengths and weaknesses of countries, making it possible to identify key priorities for policy reform.

The report contains an extensive data section with a detailed profile for Russia and 26 emerging and developed economies, providing a comprehensive summary of the overall position in the rankings and a comparison with Russia for each of the indicators.

The English version of The Russia Competitiveness Report 2011 is released on the occasion of the World Economic Forum on Europe and Central Asia, while the Russian version will be launched during a dedicated session at the St Petersburg International Economic Forum on 17 June.

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