

Critical Challenges Await Russia ' s Economy, New Report Finds

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- Scenarios for the Russian Federation highlights key uncertainties and possible trajectories for Russia ' s economy through 2030
- Changing global energy landscape, domestic institutional environment and social cohesion are identified as the major challenges facing Russia ' s policy-makers regarding the future of its economy
- Prime Minister Dmitry Medvedev will discuss the scenarios at the World Economic Forum ' s Annual Meeting, responding to questions from experts and social media users
- Download the report at <http://wef.ch/russiascenarios13>

Davos-Klosters, Switzerland, 22 January 2013 – The World Economic Forum publishes today Scenarios for the Russian Federation, which identifies key uncertainties for Russia ' s long-term economic development through 2030.

The report highlights three key priorities for Russia ' s economic future:

- Potential for major shifts in the global energy landscape
- Domestic institutional environment
- Maintaining social cohesion

The findings of the report will be discussed at the World Economic Forum Annual Meeting 2013 in Davos-Klosters, Switzerland, on Wednesday 23 January in a session led by Russian Prime Minister Dmitry Medvedev. During the session, Prime Minister Medvedev will answer related questions from the audience as well as from social media users worldwide.

Scenarios for the Russian Federation considers the impact on Russia ' s economy and the profound changes occurring in global energy markets. Looking at factors such as the shale gas revolution and shifting global demand, the report asks whether the country is adequately prepared for such change.

Russia ' s institutional environment is also examined, with the country appearing to have made little headway against corruption despite significant rises in per capita wealth over recent years. It also highlights lack of progress in improving public services in spite of increased government expenditure.

The report also examines the dynamics of Russian social cohesion, in particular the relationship between popular discontent and economic growth.

“ By drawing on our long-standing experience in scenario planning, we believe Scenarios for the Russian Federation delivers an accurate portrayal of the challenges facing Russia as it seeks to modernize its economy and build government and social structures consistent with its rising wealth, ” says Borge Brende, Managing Director, Government Relations and Constituents Engagement, World Economic Forum. “ We hope it provides policy-makers and planners with insights they can use to optimize the country ' s long-term development. ”

“ Russia has made remarkable progress over the past decade and this project has the intention to stimulate that development further. ” says Anastassia Aubakirova, Director for Russia and CIS at the World Economic Forum, ” says Anastassia Aubakirova, Director for Russia and CIS at the World Economic Forum.

The report is based on in-depth research and interactive discussions with over 350 industry, policy and academic experts from Russia and abroad over the past 12 months. “ By focusing on the challenges and opportunities inherent in the Russian economy, we believe this report could become a useful tool for Russia ’ s policy makers, business leaders and other stakeholders, as well as those interested in investing in Russia from abroad, ” said Kristel Van der Elst, Director for Strategic Foresight at the World Economic Forum.

The outcomes of the process were used to create three scenarios to challenge thinking about Russia ’ s economic development in coming decades:

Regional Rebalancing: A scenario where political and economic change is driven by unexpected sources. Institutional reform is mainly implemented at the sub-federal level, while Russia ’ s central institutions stagnate. Meanwhile, a context of global resource scarcity allows some regions to grow quickly on the back of investment in agriculture and associated value-chain products and better infrastructure and trade links with Russia ’ s eastern neighbours. The key takeaway from this scenario is that political and economic change in Russia may emerge from unexpected sources, chiefly the country ’ s resourceful regions, some of whose business environments are already more competitive than the country ’ s largest cities.

Precarious Stability: This explores the impact a sudden and sustained drop in oil prices would have on economic and social stability. With the government compelled to strengthen its hold on the economy, using state companies as vectors of social spending, Russia preserves at least an illusion of economic stability, while putting off painful reform to the future. The key takeaway from this scenario is that if reforming the Russian economy seems difficult in times of growth, it will be nearly impossible in times of crisis.

Beyond Complacency: Here, continuously high oil and gas prices lead to complacency about institutional reform. While the success of this sector brings higher incomes to large parts of Russian society, discontent increases with inefficient public services and an ever-expanding but inefficient state bureaucracy. The key takeaways from this scenario are, first, that an economy that needs to firewall certain parts of its sectors cannot be a balanced one; and, second, that while increasing personal wealth may paper over popular demands in the short term, these will inevitably surface in the long run.

The scenarios aim to challenge decision-makers ’ assumptions about Russia ’ s current and future economic development in order to make more informed decisions.

Notes to Editors

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