

# RUSSIA'S CHALLENGE IS TO BECOME AN INDUSTRIALISED COUNTRY

## Vladislav Inozemtsev



### VLADISLAV INOZEMTSEV

is a well-known Russian economist, political scientist, public intellectual, Doctor of Science in Economics. He is a Professor at the State University Higher School of Economics (GU-VSE) and the Director of the Centre for Post-Industrial Society Research. He is both the publisher and Editor-in-chief of the journal "Svobodnaya mysl" (Free thought), and also serves as a member of the Council on Foreign and Defense Policy (COFDP). He has written more than three hundred works published in Russia, France, Great Britain, the USA, and China, including thirteen monographs, four of which have been translated into English, French, Japanese and Chinese, including "The Shattered Civilisation" (1999). Vladislav Inozemtsev took part in the international conference 'The Modern State and Global Security', held on September 14, 2009 in Yaroslavl

As the discussion on modernising Russia gains momentum, there is increasing tendency towards com-

paring the yet unrealised Russian reforms with the transformation that has been made by countries where modernisation has succeeded. It is no wonder that China was chosen as a model for such comparison.

\*\*\*

In speaking about the prospects of Russian modernisation in this context, two esteemed experts – Evgeny Yasin and Mikhail Delyagin – bring many original ideas to the reader. Mr. Delyagin, for instance, declares that the main goal of modernisation is 'to modernise both socially and technologically, regenerate ourselves and the country', and after that, he ends up discussing minor tasks. At that, he takes the position that "Considering the present level of decay in Russian society due to liberal social economic reforms, as well as a tendency towards a burgeoning kleptocracy, any modernisation other than authoritarian 'neo-Stalinistic' approach is essentially unfeasible", while **the author does not actually proceed to suggest anything that would be considered 'neo-Stalinistic'. His solutions are mostly about reducing the tax burden and easing the conditions of management.**

It is clear that as a supporter of a "concentration of resources" and an immediate market breakthrough, Mr. Delyagin sees the Chinese experience positively. Mr. Yasin, on the contrary, thinks that Russia must follow the European example. He thinks that it is impossible to imitate the 'Chinese miracle' due to both technical and economic reasons, as well as differing values. As I see it, Mr. Yasin downplays the achievements of China, wrongly implying

that it is overly obsessed with selling goods to the USA (in fact in 2008, 46 percent of Chinese exports went to other countries of Asia). He emphasises that the People's Republic of China will not be able to enter the circle of post-industrial countries in the near future (which the leaders of China may not even be in a rush to do).

What surprises me most of all is that both of these authors treat China so patronisingly. One author (Yasin) asserts that the particular advantages used by the Chinese are temporary, while the other (Delyagin) underlines that Russia supposedly has unique technologies, thereby allowing it to avoid competitiveness with China in the field of mass industrial production. Both of these approaches seem to be great mistakes, in my opinion.

Those Russian experts who dream of an innovative economy remind me of school-children who have been expelled from the fifth grade, but remain absolutely sure that they will be able to enter university.

\*\*\*

My own analysis of the situation begins from several premises. Firstly, I suppose that the **experience of the last third of the twentieth century proved that modernisations can only take the form of 'catch modernisations up'**. This is because today, it is cheaper to borrow and copy technologies than to invent them, which, in turn, gives a great competitive advantage to the modernising party. Secondly, the modernisations of the late twentieth century were successful mainly in the capacity of industrial modernisations. **Making the transition to post-industrial society is, essentially, possible only in those countries that have already achieved a high level of industrial**

**development.** Those Russian experts who dream of an innovative economy remind me of schoolchildren who have been expelled from the fifth grade but remain absolutely sure that they will be able to enter university. So **the goal of Russia for the next few years should still be making a transformation to a highly developed industrial country.** Thirdly, the Russian modernisation should be based upon a total dedication of governmental and private enterprises to understand and apply new technologies, which has been done in all modernised countries.

All these circumstances show that **Russia has a lot to learn from China, and our modernisation (if it really happens which is not evident) will resemble the Chinese one a lot.** First of all the Russians should learn from the Chinese not to be swaggering and to estimate their abilities adequately. It is better to underestimate them in public, as it is often done in the PRC, than to make grandiose plans which can never be fulfilled. We should learn to apply innovations the way the Chinese do, just to apply not create new technologies. We should understand that the path leads from raw materials economics to an industrial one, not to an information one. We should learn to accept the Western technologies and investments and then copy the positive experience. It was this way that China has become the largest car manufacturer in the world this year. Russia has no right to reproach China for their quality.

Like China once rightly partnered with the USA, so should we partner with Europe and become its major industrial partner in the short term.

There are more lessons to learn. In the first stage of its industrialisation China was really guided by the USA in its trade, which produced indisputable advantages. Russia should also decide whose trade partner it should focus on in the upcoming decades **Like China once rightly partnered with the USA, so we should partner with Europe and become its major industrial partner in the short term.** The Chinese experience shows, by the way, that



this method to ‘penetrate’ into the global economy is one of the most efficient. Russian politicians and experts should keep in mind that (since the Russian modernisation can be only industrial) **in the nearest future China will become our main competitor in the global markets, and by no means our ally.** It will remain the latter only if Russia decides to turn from a source adjunct of Europe which it is now into a subordinate supplier of China.

\*\*\*

Russia, if it is really inclined to modernise itself, will have to mobilise its efforts. The experience of China and other successfully developed countries shows that the growth of population’s incomes in the course of modernisation does not surpass the GDP, but lags

behind it. We can see from China that the major indicator of an enterprise’s activity is not bubble market capitalisation, but the volume of output and the market share. China shows us that bureaucrats compete with each other in taking high offices by achieving the highest results in their work places, not searching for help from their wealthy class-mates. **Modernisation is mobilisation, but it is not visible even in the writing of those authors**

**who see themselves close to ‘neo-Stalinists’.** It cannot but surprise. When we discuss the Chinese and European pattern of modernisation we remain ‘dreamers of Putin’s time’, when money came from the ‘pipe’ and showered onto the earth like rain from the clouds of the stock market. The recipes of modernisation have been known for a long time. It does not take ‘mass intellectual activity’ to comprehend them. This thinking only engenders gibberish ideological clichés in Russia.

**We should put an end to the strange discussions on this topic if we can repeat the pattern of China, or Brazil, or Eastern Europe. It is high time to finally try to repeat it,** and then it will soon become clear if we can realise the necessary changes.

I have one more thing to add. During the last forty years about fifteen to twenty countries have been modernised successfully throughout the world. But the others have not vanished from the world map, their peoples are not extinct, and their names are not forgotten. If Russia does not succeed in modernising it will not disappear. We must stop intimidating people with statements like ‘failure is similar to death’. Of course there will be nothing pleasant if in fifty years from now the major source of profits for the Russian treasury is, say, a tip from some Argentina in response to our Ministry of Foreign Affairs admitting the independence of the Malvinas. But that will be the result of our deliberate choice. ■

*Exclusively for RJ*