

THE MODERNISATION OF RUSSIA SHOULD BE DEMOCRATIC

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Russia will inevitably become the *Object* of modernisation that will ignore the interests of the country and the people unless it can succeed in fighting severe geopolitical, economical and social challenges. The clearest response to these challenges must be solely provided by a policy of integrated modernisation.

The main principles of the present-day modernisation are a sober analysis of the characteristics of the problems, fair evaluation of priorities and

the ways by which they may be realised. We need to avoid the visionary or ideological “predetermination” that is typical of the modernisation attempts of the past. Such “predeterminations” make the positions of Mikhail Delyagin and Evgeny Yasin seem quite similar (despite their radical ideological differences).

Prominent Russian economists and industry representatives like to discuss the necessity of adopting advanced technologies. Indeed, it will enable us to reduce expenditures and will boost development in the short term. This was the formula of our previous modernisations. Every inch of GAZ and VAZ is imported. But for that we do not need to adopt modernisation as a state policy. If the economic policy of rollbacks and takeovers is redirected towards competition and fundamental indicators, then the business sector will assume the task of its adoption.

The competitive global market will cause the adoption impulse to fade out very soon, at the point where competition reduces profit margin. What then would the source of the country’s additional income be? What would be the source of the expanding surplus product? The result will be a decline in living standards and curtailment of social expenditures. This is a dead-end track because human capital is the ultimate source of innovative development.

The only possible scenario is to boost the competitive capacity of Russian goods and services by dramatically increasing innovation.

demand for innovation, for high-technology products and for breakthrough technologies. Their production and commercialisation yields the highest margin in the technical-productive cycle. The production of high-priced intellectual property and services is an essential economic element of those countries that have a high per-capita level of GDP. Such results cannot be achieved by means of cheap labour and mass industrial production. It is possible to rise from beggary to poverty and even reach comfortable circumstances, but it is impossible to achieve high standards.

The dramatic increase in the share of domestically-made high-technology products and breakthrough technologies is a goal that parallels the new stage of China’s modernisation. All BRIC members have this same goal. To achieve this goal, one needs to carve out a significant sector of the global market for high-technology industrial patterns and technologies. This is a much more important feat than investing in mass production. Russia’s deficit of labour resources should increase and guest workers won’t exist in large enough numbers to achieve a competitive advantage.

We shouldn’t rush to extremes either. The global demand for natural resources will only increase over the next few decades. The high-tech extraction of raw materials should be seen as a realistic priority. If we do not modernise in this sector, this will lead to the loss of potential income, as well as the continued growth of the global

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You do not really need modernisation to live on natural resource revenue. But currently, these revenues are insufficient. This creates a

raw resources’ deficit. This would encourage those who pose arguments against Russia’s ownership of Siberia.

The fact that our two countries are resolving common problems does not necessarily make China a model for Russia. **China has not yet demonstrated advances in creating its own breakthrough technologies and high-technology products.** Its exports are based on imported technologies, patents and know-how, not to mention their illegal adoption, particularly from Russia. Yasin has mentioned the well-known American-Chinese “cross-beam”. But more important is the fact that the USA and the People’s Republic of China have developed a technological symbiosis, whereby Chinese production is based on the American technological flow. It is yet to be seen how China would maintain this import-substitution without American assistance.

Our countries are resolving similar problems in different ways. China still needs to develop scientific schools and carry out fundamental research, but at least the state doesn’t hoard money and acts correctly. For Russia, it would be enough just to stop destroying our fundamental advantages and learn to use them competently. What does any of this have to do with the Chinese experience? Our situation has more in common to various selected elements of the American experience.

We possess enough fundamental reserves to create products and technologies. What are we missing? We lack a strict examination of these reserves in the context of the commercial power of the products and technologies that can potentially be made from them. We need a professional elaboration of development programs, as well as associated finance and control mechanisms.

Gaydar’s reforms and Chubais’s privatisation knocked out the sector of industrial design sector (branches of research institutes and design institutes). At present, the project of networking modern design centres (generously supported by the government) is of vital importance. These centres are intended to assume research projects and turn them into “iron”. These are examples of concrete solutions that constitute a kind of business modernisation project.

Now let’s turn to the political paradigm at hand.

The present-day modernisation will be achieved through millions of solutions. It is no longer limited to the construction of hundreds of factories. Powerful and complex incentives are now the norm. Control is presently maintained, not vertically, but horizontally. A professional state administration and informative feedback are now vital necessities. Under such conditions, authoritarianism won’t work, not even in theory. Only democratic modernisation will do.

Active markets and efficient businesses will not accept authoritarian suppression. Their response would be either internal migration or emigration abroad. That is why, whether we want them or not, it is necessary to refine viable democratic procedures. Liberalisation is not the core of the problem here. **The conditions for effective communication between society, business and government authorities should be fully developed.** Our government needs to be an integrated part of the solution, and non-commercial organisations should make the transition away from making complaints to providing professional expert solutions.

And where, among all these priorities, is there place for the Chinese experience? ■

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MODERNISED CHINA AS A CHALLENGE FOR RUSSIA



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China can certainly be cited as an example of successful modernisation. But we are speaking about the modernisation of a society that is agrarian and industrial, poor, and crippled by the extremes of a communist-oriented experiment. This translates into a cheap labour force, and a political system that may be mobilised – everything that ‘the doctor ordered’ for the process of industrial modernisation. **Confucian tradition is an absolute advantage since it brings bureaucracy that does not only steal, but also develops.** It was the same way in Korea, Taiwan and Singapore. It was and still is the same way in China. China’s communists have learnt to be Chinese in the first place, and communists only in the second place.

Modernised China is a challenge for Russia, and this challenge can be either a resource or a threat. This is a challenge because China has already become a strong competitor for Russia, on the Russian domestic market itself, as well as on the markets and in the politics of many of our traditional partners, primarily in Central Asia. If we manage to evaluate this challenge correctly, then we will be more resolute and persistent in our own modernisation.

Then the Chinese challenge will turn into a resource, rather than a threat.

There are many ‘vulnerable’ points in the Chinese pattern of modernisation. Firstly, their development, on the whole, remains an attempt to ‘catch up’. Some elements of post-industrial development do appear but are making no significant difference thus far. Secondly, modernisation generates large disproportions in terms of such dichotomies as city vs. village, and prosperous eastern coast vs. sluggish backwoods, etc. All that is kept under wraps by the strict political system, and simultaneously becomes an anti-stimulus for its liberalisation, and a need for that has already appeared in the more modernised enclaves of the country. Thirdly, Chinese bureaucracy encourages modernisation and steers its overall direction. Nonetheless, it still remains communistic and bureaucratic, which ends up slowing down the modernisation process. If China does not make political reforms, it will be a severe obstacle for the country to move from industrial stage to the post-industrial one in its modernisation. ■