

Table of Contents

Introduction	1
<i>Evgeny Gavrilenko, Paul J.J. Welfens and Ralf Wiegert</i>	
A. Investment, Financial Markets, New Economy Dynamics and Growth in Transition Countries	5
<i>Paul J.J. Welfens and Albrecht Kauffmann</i>	
1. Introduction	5
2. Fundamental Data on Eastern Europe and Russia	7
3. Growth Dynamics	14
3.1 Neoclassical Theory and New Growth Theory	14
3.2 Analyzing Growth Dynamics in a Cross Country Regression	19
3.3 Role of Financial Sector Liberalization for Economic Growth	21
3.4 New Economy Aspects of Growth	25
4. Policy Implications	28
Appendix 1: Tables	31
Appendix 2: Countries Included in Cross-Country-Regressions	49
Appendix 3: Regression Results	51
Appendix 4: List of Variables in Regressions and Data Sources	54
References	55
<i>Comment: Natalja von Westernhagen</i>	59
B. Growth Dynamics in Transition Economies: The Role of Financial Development	63
<i>Markus Neimke</i>	
1. Introduction	63
2. Financial Development and Economic Growth	64
2.1 Transmission Channels of the Financial Sector	64
2.2 A Simple Endogenous Growth Model with Financial Intermediation	66
3. Financial Development in the Transition Economies	70
4. Estimation Results	75
5. Conclusions	81
References	82
<i>Comment: Andre Jungmittag</i>	85

C. Dynamic Causal Links between the Russian Stock Exchange and Selected International Stock Markets	91
<i>Noer Azam Achsani and Hans Gerhard Strohe</i>	
1. Introduction.....	91
2. Framework of the Analysis	93
3. Variables and Data	96
4. Empirical Results	96
4.1 Results of Descriptive and Correlation Analysis	96
4.2 Results of Granger-Causality and VAR Analysis.....	100
5. Conclusions.....	108
Appendix 1.....	109
Appendix 2.....	110
Appendix 3.....	111
Appendix 4A.....	112
Appendix 4B.....	114
Appendix 4C.....	115
References.....	116
 <i>Comment: Frank Bohn.....</i>	 <i>117</i>
D. Russia's Trade Relations: Structural Adjustment, Geographical Patterns and Terms of Trade	121
<i>Olga Nosova</i>	
1. Introduction.....	121
2. The Basic Economic Approaches in Modern Trade Theory.....	122
3. Russian Foreign Trade Performance and Structure.....	123
4. Geographical Patterns and Terms of Foreign Trade	129
5. The Policy Conclusions	130
Appendix.....	132
References.....	134
 <i>Comment: Joachim Ahrens</i>	 <i>135</i>
E. The Internationalization of the Russian Gas Industry and its Export Potential.....	141
<i>Christian von Hirschhausen</i>	
1. Introduction.....	141
2. The Role of Gas in the Russian Economy.....	141
2.1 The Role of Energy	141
2.2 The Gas Sector: Resources and Reserves.....	144
3.3 Reserve Depletion and Additions: A Stylized Scenario	146
3. The Internationalization of Gazprom	147
4. Russian Gas Exports to Europe.....	149
5. Conclusions.....	152
References.....	153

F. Licence or Contract - What Kind of Petroleum Fiscal System is Required for Russia's Oil Industry?.....	155
<i>Gert Ziener</i>	
1. Introduction.....	155
2. Problems of the Oil Industry: Weak Production and Chronic Lack of Investment	155
3. Causes for the Problems.....	156
4. Improved Coordination of State and Private Interest is a Possible Way Out	158
5. What Kind of Fiscal System is Required for Russia's Oil Industry	159
5.1 Contractual Efficiency.....	159
5.2 Immunisation Against Legal and Political Risks.....	160
5.3 Adaptability	160
5.4 Neutrality.....	162
5.5 Resistance Against Falling Oil Prices.....	165
5.6 Budgetary Effects	165
6. Russia's Oil Legislation: Rosy Prospects for Investors?.....	166
References.....	168
G. Obstacles to Growth and Competition: The Political Economy of Corruption and Rent-seeking in Russia	169
<i>Ralf Wiegert</i>	
1. Introduction.....	169
2. Transition, Competition and Efficiency	171
3. Obstacles to Competition	175
3.1 Corruption, Grabbing Hand and State Capture.....	175
3.2 Arrears, Tax Regime and Subsidies.....	179
3.3 Rent-Seeking, Transaction Costs and Efficiency.....	182
4. Conclusions and Policy Options	185
References.....	188
<i>Comment: Cathleen Faber.....</i>	<i>191</i>
H. Macroeconomic Situation in Russia: Growth, Investment and Capital Flows	203
<i>Evgeny Gavrilentkov</i>	
1. Recent Trends	203
2. Fiscal Performance.....	207
3. Growth Potential and Capital Flight.....	211
4. Growth and the Chaebolization of the Russian Economy.....	212
References.....	219
<i>Comment: Rolf Jungnickel.....</i>	<i>221</i>

I. Problems of Russia with Financial Globalization.....	231
<i>Grigori Feiguine and Tatjana Sedash</i>	
1. Introduction.....	231
2. Globalization Scenarios - the Advantages and Deficits of Globalization in the Different Countries	232
3. Weaknesses of the Russian Financial Sector and their Influence on Financial Globalization.....	234
3.1 Russian Banks Transformed Savings into Investments Insufficiently	236
3.2 Insufficient Level of Crediting for Russian Industries	237
3.3 Under Liquidity of Russian Business Banks	239
3.4 Hide State Effect on Capital Flow Distribution.....	239
3.5 Undercompetition in the Banking Sector	239
3.6 Underdevelopment of the Security Market.....	239
4. Strengthening the Financial Sector as a Means to Overcome the Globalization Deficit	241
4.1 Bank System Reorganization.....	241
4.2 Establishment of Legal Foundation for Mortgage Development....	242
4.3 Increased Capitalization in the Russian Share Market	243
References.....	244
 <i>Comment: Michael Vogelsang</i>	 247
J. Russia on the Threshold of the WTO: Some Problems and Options.....	251
<i>Ruslan Grinberg</i>	
K. Russia and the WTO: What is at Stake?	263
<i>Ognian N. Hishov</i>	
1. Introduction.....	263
2. Russia's Worries: Totally Altered GDP-Breakdown by Sectors?.....	263
3. The Interests of the (EU-) Partners	270
4. Paperwork versus Economics (Rules or Exchange Rate?).....	272
References.....	274
L. The Role of Russian Regions in Economic Modernization and Opening up: Evidence from St. Petersburg and other Regions.....	275
<i>Nina Oding</i>	
1. Introduction.....	275
2. Investment in Russian Regions	276
3. Role and Development of St.Petersburg	278
4. Outlook and Conclusions	283
References.....	285
 <i>Comment: Markus Ksoll</i>	 287
List of Figures.....	291

List of Tables 293

List of Contributors 297