Analytic Study of Russian Experience in Economic Development and Integration in the Global Economy: Lessons for Iran and Developing Countries

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Abstract. Economic development is one of the main concerns of today’s countries, significantly influenced by the collapse of the communist bloc and the failure of a centralized planning and growth pattern of socialism. As a result, Russia’s economy in the post-collapse period witnessed chaos in domestic production and the rise in commodity prices. However, Russia is now the 11th largest economy globally, and the country’s exports, which was $78 billion in 1995, amounted to more than $420 billion. This paper attempts to analyze this experience concerning the role of government in developing and integrating into the global economy. Therefore, the main question is the government’s role in developing and integrating into the global economy from 1995 to 2011. This paper attempts to review the Russian experience due to its similarity in post-Soviet period with the Iranian economy’s current circumstances, analyzing and comparing solutions that a government must consider to be transferred from a government-run to a market economy. The survey shows that the Russian government successfully took a step toward economic liberalization and integration in the global economy.

Keywords: development, economic development, Russia, human development, socialism, global economy

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Introduction

The 20th century is undoubtedly one of the exciting centuries of human history. It was the beginning of this century, the Revolution of October (1917), and the establishment of the Soviet Union, and in the last decade, it collapsed.

The October Revolution disturbed the traditional system of the world, alleging breach of class divisions, exploitation, and private property of the ideal...
society of communism. This revolution further challenged the world’s powers, helped spread pro-independence movements in Colonial countries, and divided the world into the influence of two superpowers (of the United States and the Soviet Union). Then the Cold War began. The government of the Soviet Union did not reach many of its claims and finally crumbled [1].

Today, Russia has changed its political and economic system and resumed its revival two decades after its collapse, complicated rebuilding, and reconstruction. The most feature of the present Russian community includes the using power of the central government, the avoidance of high transparency and the scope of political competition, the domination of public investment in all areas of the country, the lack of openness to the west, the existence of widespread and the largest reserves of natural resources, neighboring with several different and often hostile societies [2].

The growth of economic development is one of the main concerns of Russia in the new era, especially since 1990, with the collapse of the communist bloc, the question became more than before that the communist countries and foremost among them are Russia in the national development process, and what role the government has led to achieving that. The Russian economy went through a tricky test in the period following the break-up (1990s), decreasing production and raising the prices of consumer goods [3].

The situation went on until 1998, the peak of the Russian economic crisis. Then, with the efforts of the Russian government and the world economic growth, it began in the fields of disaster withdrawal. According to recent assessments, Russia is the largest globally, and the country’s exports, which hit 78 billion dollars in 1995, hit more than the U.S. $ 302 billion in 2011. It reflects the interaction of the Russian economy and its integration in it. In this context, the author tries to analyze the role of government in the economic development process and the integration in the global economy [4].

**Problem Statement**

The fundamental question is what role the government has played in developing this country and integrating world nations in the years after its collapse? The Russian government seems to have contributed to the development of the economy, infrastructure, and expansion of international trade in the 1990–2011s through liberalization and privatization of economic activities and preparing for expanding the competitive environment, developing infrastructure, and expanding international trade, to the development of the Russian economy and integrating into the global economy. Russia relies on oil and gas revenues based and is now one of the world’s nascent economies; its experience could be an excellent framework for Iran and developing countries.

**Theoretical Basis**

**Growth and development.** Economic growth means an increase in national income, gross national product, and national production in a long time. Therefore, the rate of increasing the national income or the production rate of goods and
services is in one regard, including the increase in the production capacity of a nation by increasing the production of these goods and services. Similarly, economic growth is a percentage of economic production in one year or a certain period, following the national income level slightly [5].

Development means qualitative and quantitative improvement in the status of an economic unit. Development is current in itself, restructuring and orienting the whole economic and economic system and improving production and income and the changes in the people’s institutional, social – administrative structures and public attitudes [6]. Today, the concept of development is a process [4]. Economic development, political development, cultural and social development, and security development are the most critical national development programs.

Government and development. Developmentalism and the developmental states are two of the new concepts which have been studied from the 1980s and beyond. Developmentalism indicates the elites’ tendency to transform economic, social, political, and cultural structures to modernization, progress, development, production, and welfare.

The developmental government aims to change fundamental changes in the economic basis of society to ensure high rates of economic growth and the level of people’s lives. It does not necessarily have democratic legitimacy but gradually withdrawing its power to civil society. At this stage, civil society is determined to determine the optimal extent of the state [7].

Today, no developing country without economic planning cannot achieve industrial development and growth, and the responsibility of planning is the government [8].

Although government-based economic development has failed in the 1990s, economic reforms will not succeed without government interference. Therefore, developing countries in government reform programs are possible, representing a leading role in the government and private sector [9].

From this perspective, there are harmony and coordination between the government and the market. This concept is based on an efficient administrative system, bureaucracy, and long-term career aspirations to create responsibility and solidarity. On the one hand, the government is interacting with social norms, and on the other hand, it interacts with international norms.

Liberalization, privatization, and integration in the global economy. One of the world’s primary concerns in developing countries is the emerging process of globalization and how to deal with this process. Globalization has become necessary since the 1970s and has become more critical with the collapse of the Soviet Union and the collapse of state socialism in the 1990s in the world [10].

In this regard, the global economy is rapidly rushing toward convergence, and the integration of national economies in international and non-national economies is increasing rapidly compared to the past.

Competition and the Developmental States. Competitiveness is the essential component and the central message of globalization. In 2001, the International Journal of Policy and International Counseling wrote several vital indicators: globalization of goods and services, financial globalization, personal contacts, and Internet connection. Other indices, such as market size, foreign direct investment, tariff reduction, and participation in economic convergence schemes,
are discussed in other studies. Combining countries with developing in globalization is an inevitable problem [11].

International economic agencies, such as the world bank, the international monetary fund (IMF), and the united nations development fund, are also active in this regard.

The merger is a recent outburst of globalization and is more concerned with developing economies than globalization. Presence in world trade, foreign direct investment attraction, and international financial markets are the most critical sectors of the economy [1].

Trade liberalization, personalization, and financial reporting are three critical variables in developing countries’ economic reform and restructuring based on economic globalization and integration in the global economy.

**Result and Discussion**

**Rebuilding and Development in Russia until 1990.** The issue of renewal and development since the 18th century has become a vital problem for Russian society and government. It has been the basis of many 18th century developments. Do these questions mean what model could lead Russia to the position of other advanced governments? What has this pattern related to Russia’s traditions and status, and what has consequences for society and government? Until the sixteenth century, Russia experienced political and social instability and significant economic and external offensives [12].

The transition to absolute rule is related to Peter the Great. In Peter’s era, the question of the transformation of the Russian government and the “Europeanization” of Russian culture is raised. It is known for its extension of policies. He applied a unified procedure for government employees, introduced reforms in the army, and created a new, naval solid force. He supported production and commerce and applied thousands of foreign experts to train new sciences. He simplified the Russian alphabet and changed the traditional Russian calendar into a new version. He founded the academy of sciences and the university and changed the style of architecture of the important cities. When he passed away, he left a completely different country [13]. Peter argued that Russia would not have a powerful empire as long as it did not reach Europe and had to imitate England, France, and other western Europe. So he set up schools for teaching mathematics and engineering. The academy of sciences was also established to promote education. Peter led to Russia’s modernization by imposing certain principles from above, the bureaucracy, the broadening of centralism. At that time, a question became essential, Russia is east or west? Indeed, the west-oriented thinking and later the reforms were the outcome of Peter’s reforms [14].

By 1914, Russia became a significant industrial power, and the social structure of big cities was transformed. The total length of the country’s railways after the American railway’s network was the second and second in oil production, the fourth in construction and coal extraction. Russia was the world’s first place in steel production among the five countries and first in wheat production [14]. The model of Russian development has been changed entirely since 1917. With the victory of Lenin, it was practically dominated for over seventy years by Russian
communist ideas. From 1920 to the late 1980s, a centralized administration system managed the big cities and small towns. After that, the Soviet Union’s economy began to move toward a progressive system. Under the government’s ownership, they became governed by a complex system of centralized production, distribution, and management [15].

The Russian economic growth rate was high by the start of the 1970s, but since then, the national income was reduced, and in the 1980s it remained almost constant, and the world’s second power gradually lost its efficiency and quality of production and development. The frustration of the communist economic model in the 1970s and 1980s called Gorbachev the necessity of economic and political reform and called for two reforms (economic and political). Gorbachev started his economic reforms to improve the economic situation, remove shortages and economic bottlenecks, raise public life levels, and raise revenues [16]. However, he did not reach these goals. Along the sidelines, political reform was also under Gorbachev’s agenda to facilitate the free review of existing agreements and provide the ability to adapt to the government [2]. The run-up led to the freedom of speech and press, radio, and television. The activities of poets, artists, and writers were freed, political prisoners were released, and the parties were active.

**Economic development in the post-Soviet era.** With the collapse of the Soviet Union, the approach of development in Russia was radically transformed. In the Soviet Union, the central priority is based on defending the communist idea, combating terrorism, and increasing the number of member states of the eastern bloc. However, new politicians took new economic development [16]. Using the foreign policy approach, Russia tried the general line’s economic benefits and foreign policy guide in economic and social reforms. In this regard, integration in the global economy is one of the Russian government’s main priorities: foreign investment, advanced technology, strengthening trade-economic relations with western countries, and membership in global economic sectors are indicators of this approach [7]. According to the conditions of the twenty-first world, Russia’s new rulers have sought to expand their influence in the near and outside world, and then, in the economic race with large-scale such as the European Union, the united states, china, and the countries of Southeast Asia as well as the means of applying power based on national interests and national security.

In general, three periods can be distinguished between 1990 to 2011: the first period began in the early 1990s and witnessed a rapid collapse of the government, the plan of the principles of economy and free trade. The second period, which lasted until the end of the 20th century, consisted of rapid integration of financial instruments in the hands of prominent people and big ones; the third period, which lasted until 2011, was recognized by the government to redistribute some resources, restructure the economy and restore the economy and financial system. The start also coincided with high oil prices that contributed to the relative financial stability of Russia. However, the last years’ crisis was a severe test for the survival of the Russian economic system and its economic development.

In 1992, Russia was a free, independent, and impoverished country; its economy was in turmoil and almost similar to the end of the Soviet times. The main task was to protect the heritage of the Soviet Union, carry out reforms, and seek economic, finance, and employment solutions. Yeltsin and his aides for the reform
of the Russian economy chose the strategy of economic liberalism, which was based on three policies: first, the people and property owners whose property was owned by the government was encouraged; secondly, the federal government was no longer responsible for its consolidation and control; third, the government renounced its commitment to secure funds that were guaranteed in the Soviet Union.

The central assumption of reformers was that after a few months of implementing these privatization changes, industries would start the iodine and boost trade; then, the economy and trade would improve the banking system. Finally, its high tax revenue enabled them to invest in a particular business market and help the people of Russia, including retirees and children. Personalization, consolidation, and power distribution among the free-market fans was a political maneuver. The area of economy was severe, and the privatization program was caught up with fraud. Inflation grew by 3,000 % in 1992 and went up by 900 % in 1993. Between 1991 and 1993, the GDP fell to 40 %. Inflation hit the people with stable income, about 31 % of the people below the poverty line in 1993. GDP fell by about 52 % from 1991 to 1996. Russia’s GDP per capita in 1996 amounted to the approximately U.S. $ 2,500 – double that from China, the same as Brazil, but four times less than most developed countries [17].

The economic collapse led to the government’s inability to sustain social policies and reduced government support from education, culture, art, science, pensions, housekeeping, youth programs, health, and treatment. Meanwhile, the profits of the oil and gas companies and aluminum, which were now available to the particular sector, rose between 5 to 36 times [5].

Thus, the western pattern of structural adjustment, economic liberalization, and deregulation of the government’s actions led to the growth of bureaucracy, corruption, stagnation, the economy in the shadow, the formation of a parallel government, and the commodity policy of all. In the meantime, Russia fell into a state of corruption, and industry reliance on state-owned enterprises was discontinued. Foreign investors are reluctant to participate due to poor industry performance. Groups of nationalists and socialists rejected the personalization programs for the harmful people’s public interest and opposed it extensively.

So it needed a new paradigm, a model of the complex economy that included elements of capitalism, government management, and socialism. Investment in first-class technologies for the 21st century, mobilizing financial resources, shortening government structure, and increasing vertical mobility from access to education is the most critical features. In the same vein, since 1998, the government’s role in the economy grew, but dependence on the west remained. 1998–1999 was the peak of the Russian crisis.

In solid Economic crisis, Chechen war, and NATO invasion of Serbia, Vladimir Putin came into power. In the first step, his policy in insecure domestic policy and solving economic problems through centralization of power in the central government, economic reforms, and substantial impact on the opposition and rebels were under the agenda, and the situation gradually changed. The country’s political development, increasing exports, increasing oil price, fiscal discipline in the budget, trade surplus, and increasing of foreign exchange reserves and the gross domestic product grew at the same time up to 6.8%, and the country faces up to 100 billion roubles and a 40 billion dollar exchange surplus. In 2005,
Russia ranked 60th among the world-exporting countries and ranked eighth among the countries in importing. Russia has grown more and more at the end of this period. Russian growth was due to significant changes in the price of the Ruble and the price of oil [5]. In the opinion of Putin, “without any cooperation with the structures of the international economy, it is impossible to social and economic development, and it will be challenging to develop” [6].

Putin reformed national security documents, foreign policy, and military doctrine and then raised Russia’s progress policy. Instead of adam smith’s invisible hand, the Putin group relied on the government for development and progress. The main problem was that it was heavily dependent on raw materials exports and reduced Russia to a large Chinese – European gas pump. Economic growth was affected by this factor too. The nature of the state was also a bureaucracy, not a dictatorship. After 2008 to the 2010 year’s economic crisis, the new president saw the problem in the weakness of the new technology, thus emphasizing modernization over and over. In fact, when Putin came to the chairmanship of the Russian republic in 2000, the second-generation market reform was implemented. It had much influence in attracting foreign direct investment, which Russia in 2008 was able to absorb about 4 % of the world’s investments globally, while in 1992 it reached less than 1 %.

Reinforcing the role of government in Putin’s era has positive effects. Penetration of powerful forces, combating corruption and crime, government spending on foreign transactions, and preventing capital flight are the most critical consequences of Putin’s government policy in the economy. His pattern was a rapid and comprehensive renovation to bring the country to global power and maintain national solidarity. Indeed, it represented an enlightened government with ambitious national ambitions. Among the other dimensions of Putin’s model, homeland worship, loyalty, and slogans such as Russia and defense of originality and identity and emphasis on rural people and small towns were discussed.

**Human Development Indicators in Russia.** One of the world development indicators in which countries’ status is measured is the human development index. The value of the human development index for the Russian Federation for the year 2012 is 0.788, and 55 among the 187 countries. According to the results of this study, there was a significant difference between 1980 to 2012 in all human development indicators. There was a rise in the expectation of life at birth, the average education expectancy. Gross national income per capita grew by around 15 percent [17].

According to the high level of GDP per capita (about $ 10,675 in 2010) and high-level literacy (about 99.4 percent), and the remarkable rate of hope for life (69 years), Russia had remarkable growth in development goals in the years after the collapse of the Soviet Union [5].

**Privatization expansion and integration in the global economy.** The Russian economy from 1990 to 2010 started the process of consolidation and merger in the global economy. The government has widely considered economic liberalism. In any case, the government took action by policies to strengthen the private sector, move forward to the competitive economy, and remove obstacles worldwide. In the same vein, the foreign direct investment in Russia went up to five billion US dollars in 2005; in 2013 reached 35 billion US dollars.
In one estimate, the overall ranking of Russia’s free trade and investment in 2013 is 65 out of 100 countries, and the foreign direct investment ranking is 76 out of 100 countries in the world.

Also, the GDP per capita increase based on globalization in 1990–2011 was 36 among the top 42 economies globally, followed by China, Mexico, Brazil, Argentina, Norway, and India. It is noteworthy that the ratio of Russia’s exports and imports to GDP was 50.9 percent in 2013 and private capital flows in the same year was 1.3 percent of GDP. Meanwhile, the country’s Internet users in 2013 accounted for 70.5 percent of Russia’s population of 142 million, indicating the impact of cultural, economic, and political globalization in the country and its greater integration into global processes.

<table>
<thead>
<tr>
<th>Year</th>
<th>Life expectancy at birth</th>
<th>Expected years of schooling</th>
<th>Mean years of schooling</th>
<th>GNI per capita</th>
<th>HDI value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>67.5</td>
<td>12.2</td>
<td>7.1</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>1985</td>
<td>68.4</td>
<td>12.2</td>
<td>8.1</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>1990</td>
<td>68</td>
<td>12.7</td>
<td>9.2</td>
<td>12.604</td>
<td>0.730</td>
</tr>
<tr>
<td>1995</td>
<td>66</td>
<td>11.7</td>
<td>10</td>
<td>7.790</td>
<td>0.695</td>
</tr>
<tr>
<td>2000</td>
<td>65</td>
<td>12.1</td>
<td>11.3</td>
<td>8.395</td>
<td>0.713</td>
</tr>
<tr>
<td>2005</td>
<td>66.1</td>
<td>13.7</td>
<td>11.6</td>
<td>11.560</td>
<td>0.753</td>
</tr>
<tr>
<td>2010</td>
<td>68.5</td>
<td>14.3</td>
<td>11.7</td>
<td>13.664</td>
<td>0.782</td>
</tr>
<tr>
<td>2011</td>
<td>68.8</td>
<td>14.3</td>
<td>11.7</td>
<td>13.897</td>
<td>0.784</td>
</tr>
<tr>
<td>2012</td>
<td>69.1</td>
<td>14.3</td>
<td>11.7</td>
<td>14.461</td>
<td>0.788</td>
</tr>
</tbody>
</table>

Source: UNDP, 2013

Conclusions

As noted, the concepts of progress, growth, development, and renewal have always been discussed in Russia. The drive of the Russian Community in the era of Peter the Great was the Orthodox religion, internal order, and social traditions. At the beginning of the 20th century, the Soviet Union adopted its principal force from the ideas of Marx and Lenin. In this Communist time and the mobilization of the people, the engine was the country’s progress. In all of these cases, the economic and industrial modernization led to more robust and greater control of society and contributed. However, it does not necessarily positively affect political and social consequences and only contributes to the government’s industrial and military capabilities. The reform of Gorbachev’s era was a route aimed at restructuring the Soviet Union. Putin’s era was also the continuation of reforms with the centrality of the government. However, in the new era and its implications in the aftermath of the global economic crisis and its consequences in Russia since 2008, the concept of modernization became more important once again. Today’s main issue is that exporting raw materials (oil and gas) is driven by a more advanced economic development strategy that relies on advanced knowledge and technologies.
In the Soviet Union, both the federal and the local communities, such as the best—being, from birth to the last days of the individual’s life, spent all of the social services, and most of the Soviet Union’s citizens lived in the military, providing at least social support and standards of living standards. After the early 1980s, there was almost nothing or chronic hunger in the country. Of course, service quality was deficient. One of the critical developments in the last decade after the disappearance of the welfare system of the Soviet Union was the rapid weakening of the limited social services and insufficient resources to preserve a welfare state. According to official reports, in the 1990s, more than a third of the Russian people went under the poverty line and waited for their pensions and medical services. On the other hand, many nomads caused problems in education, health, treatment, housing, and the pension system. For this reason, Putin called for the immediate revival of economic development.

However, the beginning of the early 1990s up to the early 2010s was the beginning of a change and confusion, grand ambitions, and the growing popularity of the future. The financial crisis of 2009 had a severe and profound impact on the country. Gradually, the efficiency of Yeltsin as a leader was lost. Putin’s high oil prices and a combination of public and free economies were instrumental in boosting economic growth. In Russia, in 2008, power was transferred to Dmitry Medvedev. In several years, the average economic growth was about 7 %, and Russia could pay its foreign debts. Since 2003, at least four hundred percent increased minimum wages, and the average salary is doubled. The number of people below the poverty line went down by 50 %. The government-supported loans and mortgages to the needy people and guaranteed private savings in the bank to more than $13,000. Russia still relies heavily on its energy resources.

The country’s economy is a free-market economy, but it relies on exporting raw materials (oil and gas) and government control over economic resources. Rather than investing in sectors with low profit, it is vital to control the most profitable industries: oil, gas, other natural resources, and automotive manufacturing. In general, Russia has adopted a non-liberal economic policy and a combination of authoritarian methods of government control over major industries while accepting the principles of the free market.

In line with boosting trade and commerce, taxes on capital and income taxes were kept. It was also partly due to the government budget’s high cash flow, which exceeded the high price of crude oil and natural gas. As a result, the government could balance the budget and provide treasury funds based on this surplus.

The global financial crisis, which began in 2008, affected many aspects of Russia. However, the Russian government demonstrated its ability to make financial decisions, activate deposits, and allocate “incentive packages” to industries to prevent the emergence of political events. Although the Russian stock market fell in 2008, various incentive packages were introduced in 2009 and shortly afterward. In addition, while the different government plans to significantly reduce the substantial deficit of tax revenues, the government continued to provide pensions and support to tens of millions of government employees, students and retired.

The economic policy of Russia was to strengthen the government’s participation using cooperation in industry and control of these industries. It
includes aircraft and shipbuilding industries, atomic energy, defense, and nanotechnology industries. The strategic goal here is to transform Russia into a global leader in the field of sustainable development.

### Development Lessons from Russia

- Cultural and educational development is the most crucial strategy for production and economic development.
- Transparency is necessary for a development community.
- One of the necessities of development is to prevent tax evasion.
- The intelligent use of free waters of the country has an economic jump.
- Dynamic exports to achieve a diverse economic and economic growth rate that helps reduce the high unemployment rate and create economic welfare for the younger generation and workforce.
- The efficient and reliable services of the state not only make citizens happy but also make them productive and globally competitive.
- Another branch of development policy should focus on infrastructure.
- Trade and industrial policies should use international opportunities.
- The government should focus on supporting technology production and training activities.

### REFERENCES

Аналитическое исследование российского опыта экономического развития и интеграции в мировую экономику: уроки для Ирана и развивающихся стран

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Аннотация. Экономическое развитие и развитие общества в целом – одна из главных проблем современных стран, особенно тех, которые коснулся крах коммунистического блока и провал централизованного планирования и модели социалистического роста. В результате распада СССР экономика России в постсоветский период столкнулась как с хаосом внутреннего производства, так и с ростом цен на сырье. Однако в настоящее время Россия является 11-й по величине экономикой мира (по номинальному ВВП), а экспорт страны, составлявший в 1995 году 78 миллиардов долларов, превышает 420 миллиардов долларов. В данной статье делается попытка проанализировать постсоветский опыт России относительно роли государства в развитии и интеграции в мировую экономику. Поэтому главный вопрос — это оценка роли государства в развитии и интеграции в мировую экономику с 1995 по 2011 годы. В статье делается попытка проанализировать опыт российского государства в связи со сходством его переходного периода с текущими условиями функционирования иранской экономики, анализируются и сравниваются решения, которые правительство должно рассмотреть для перехода от государственной к рыночной экономике. Проведенное исследование показывает, что в рассматриваемый период Правительство России успешно продвинулось в направлении экономической либерализации и интеграции в мировую экономику.

Ключевые слова: развитие, экономическое развитие, Россия, развитие человеческого капитала, социализм, глобальная экономика

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