

**RUSSIA INTEGRATES: DEEPENING THE COUNTRY'S
INTEGRATION IN THE GLOBAL ECONOMY
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WORLD BANK GROUP

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Russia's participations in GVCs

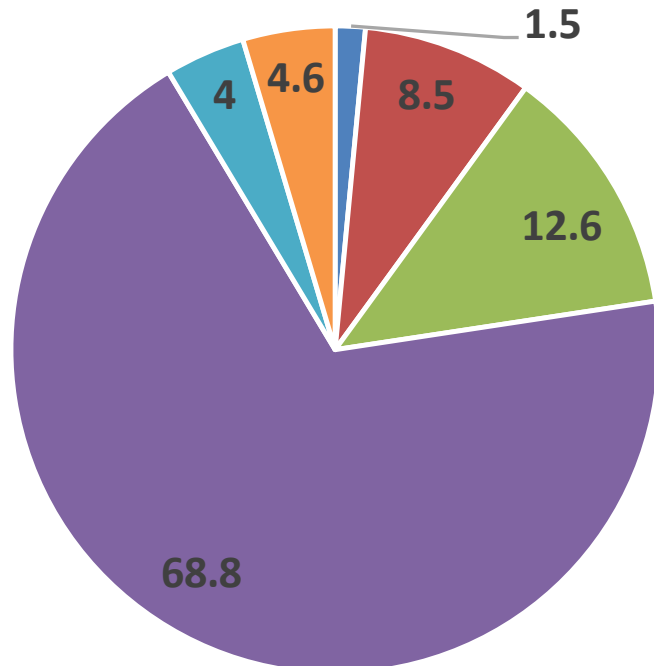
(i) Trade patterns

(ii) FDI

(iii) GVC position

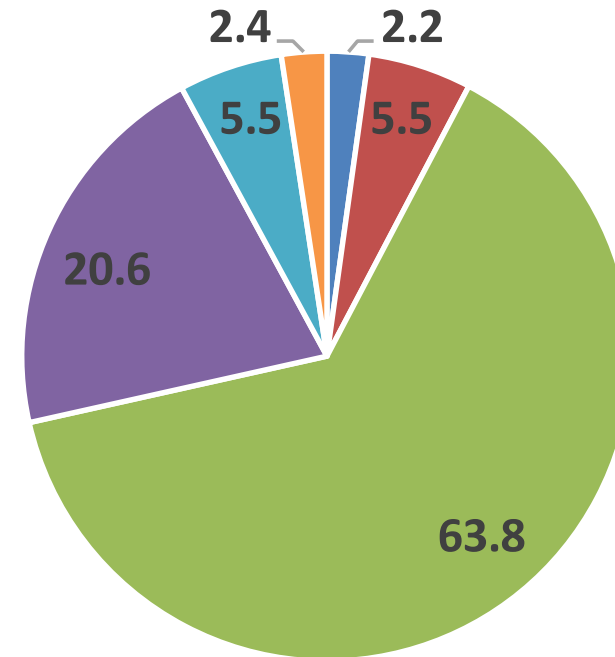
Russia's resource endowments dominate trade patterns

A. World



- Agricultural raw materials exports
- Fuel exports
- Ores and metals exports
- Food exports
- Manufactures exports
- Other

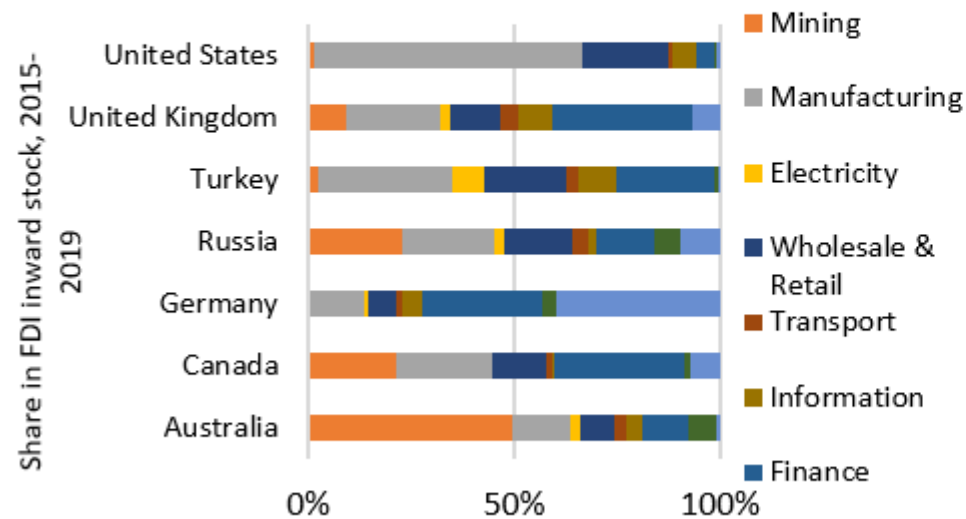
B. Russia



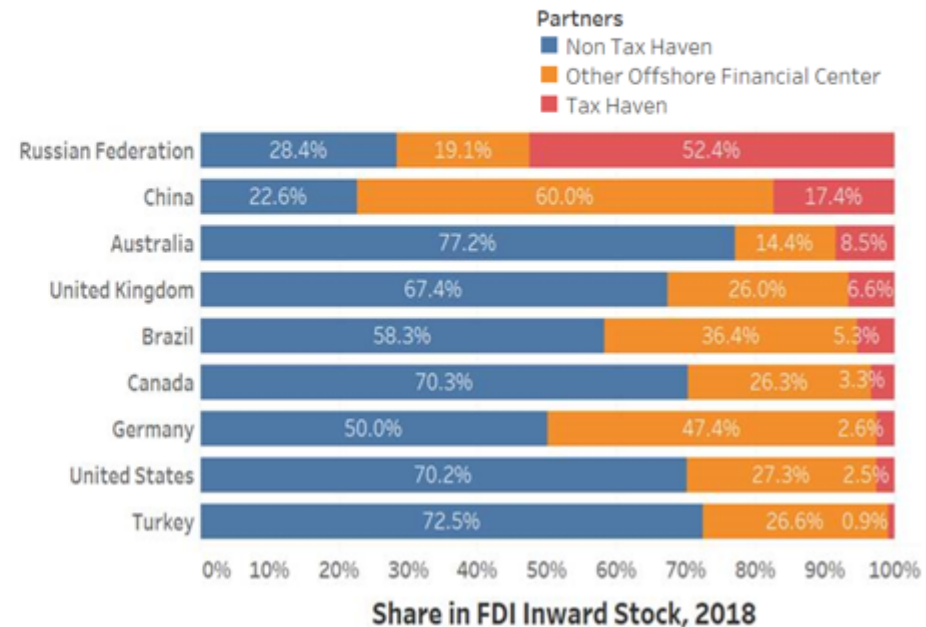
- Agricultural raw materials exports
- Fuel exports
- Ores and metals exports
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- Other

Russia's FDI is largely driven by its natural resource endowments and originates more from tax havens

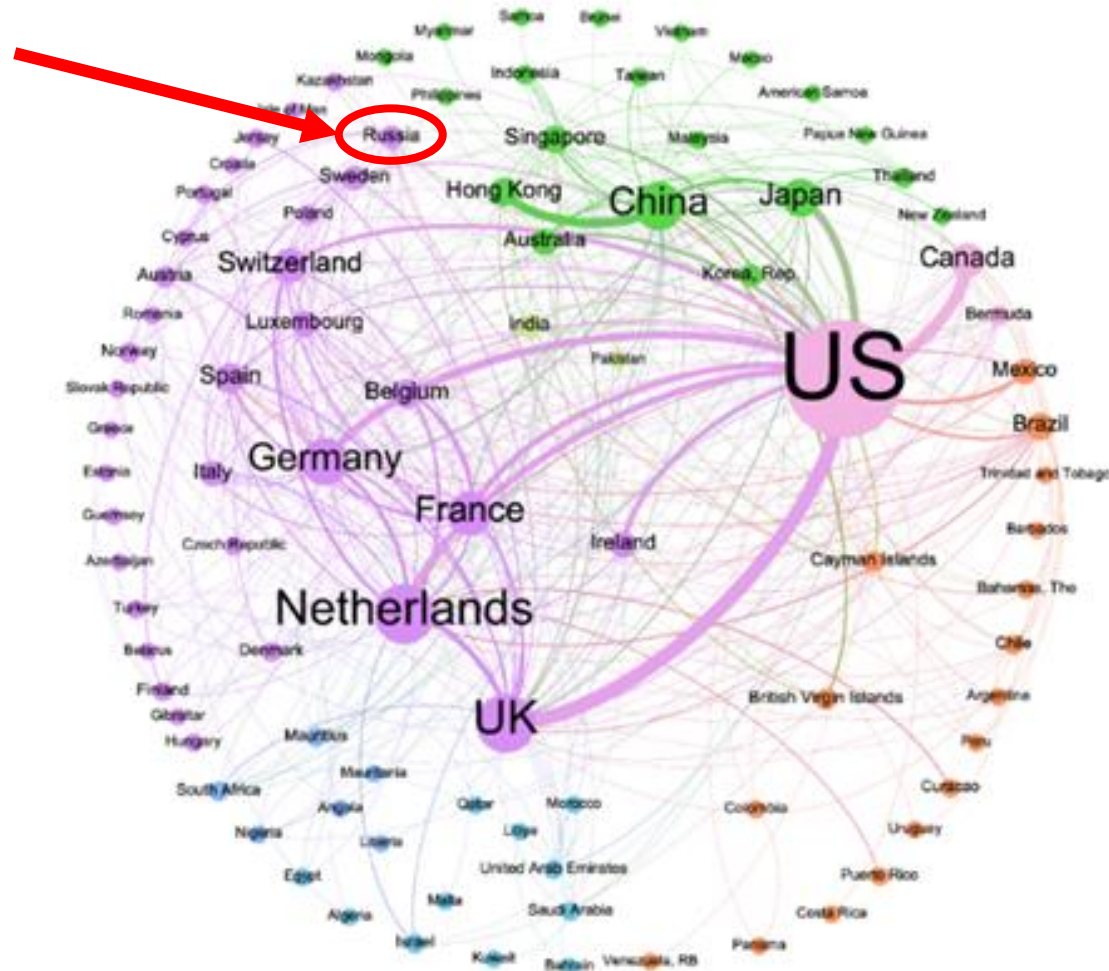
a. Russia's FDI is driven more by natural resources than skills



b. Russia attracts more FDI from tax havens than comparators

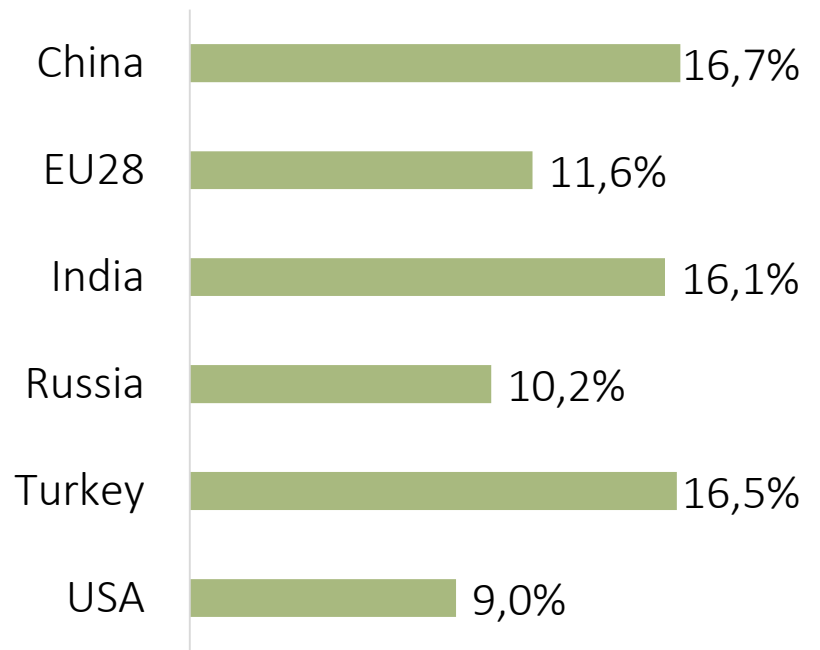


Russia is second-tier in the global FDI network

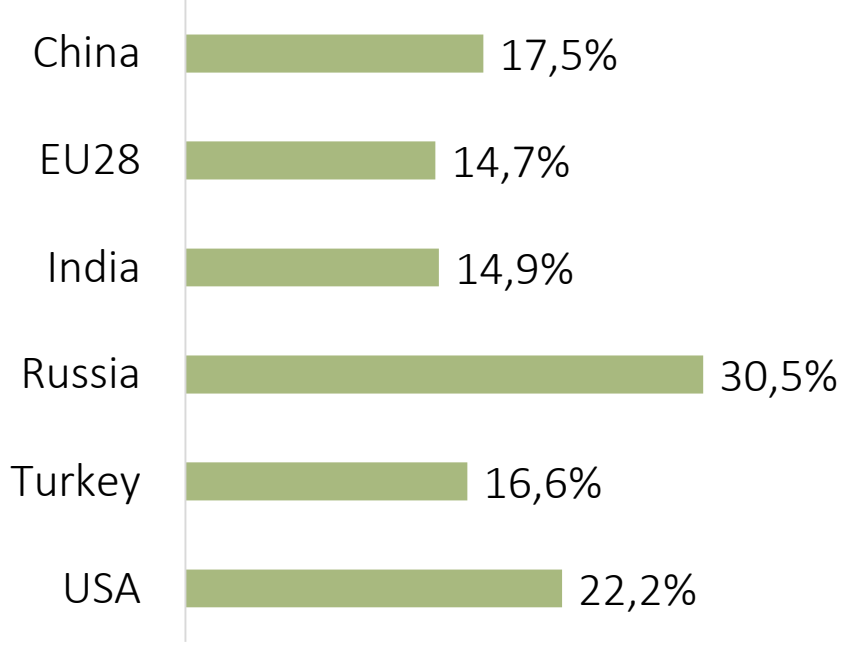


Backward participation is lower compared to peers, but forward participation is higher

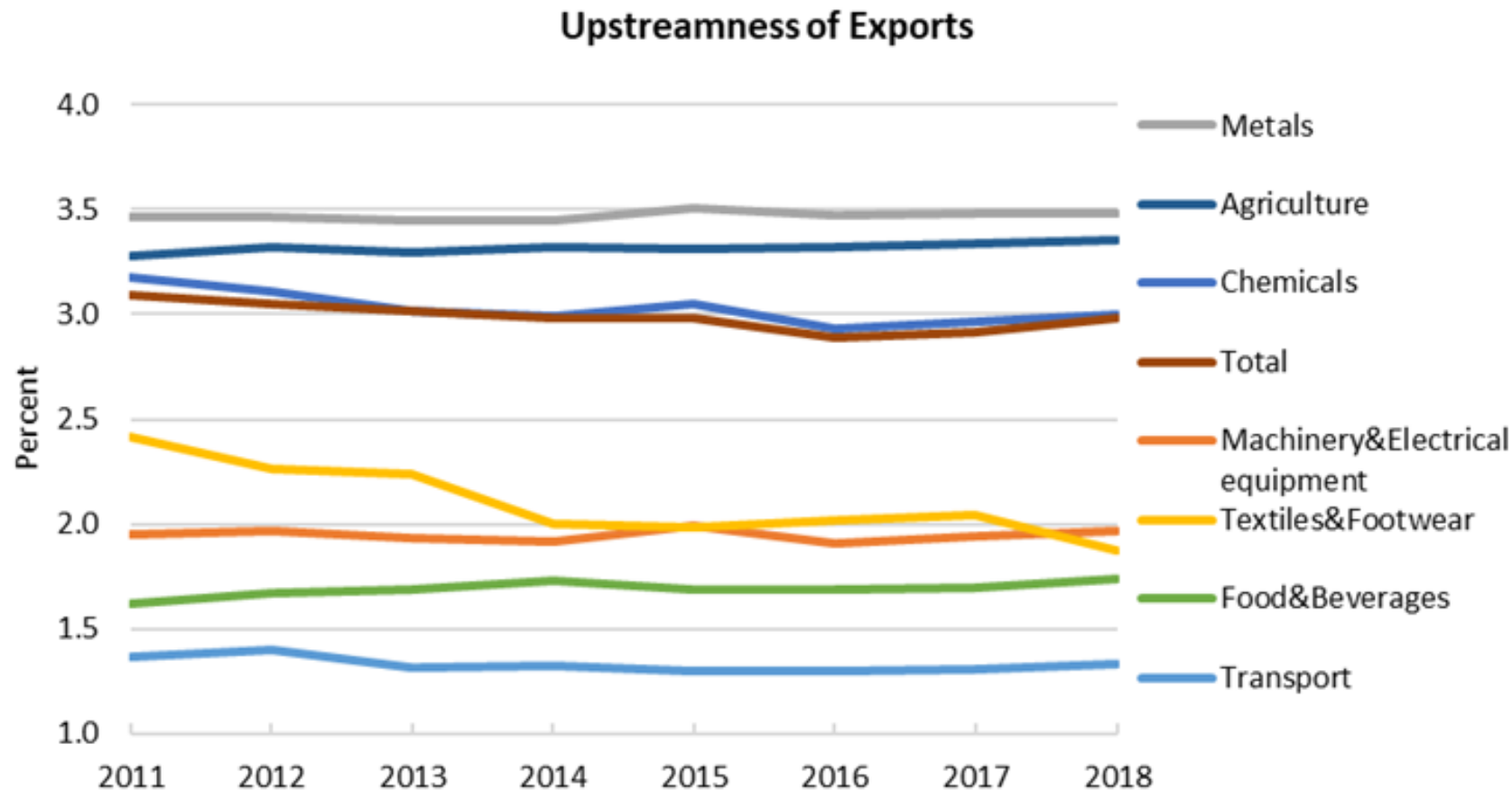
Backward participation



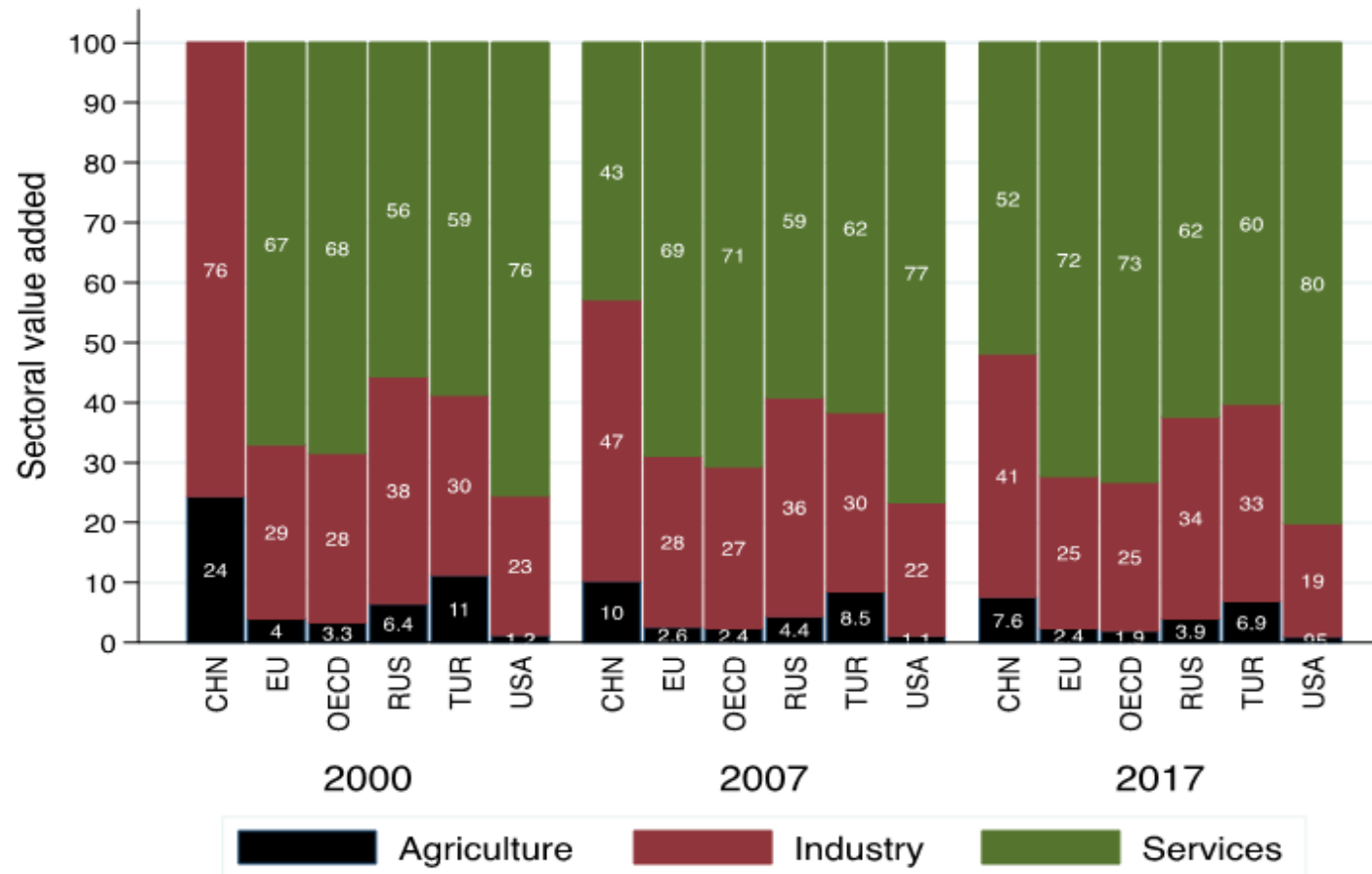
Forward participation



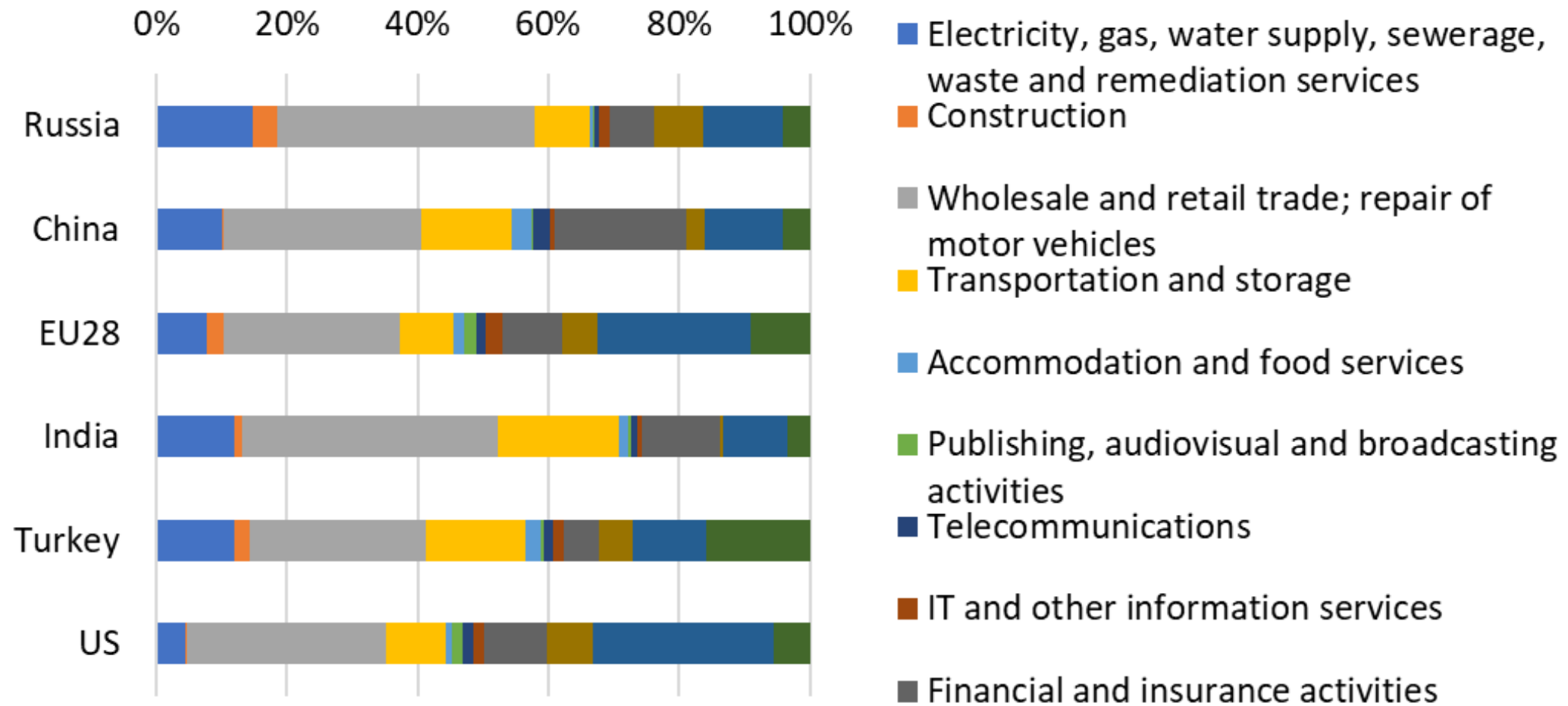
Russia has been diversifying and upgrading in GVCs



The services sector has been an important driver of increased GVC participation



The share of modern services used for manufactured exports is relatively low



Recommendations in 3 areas:

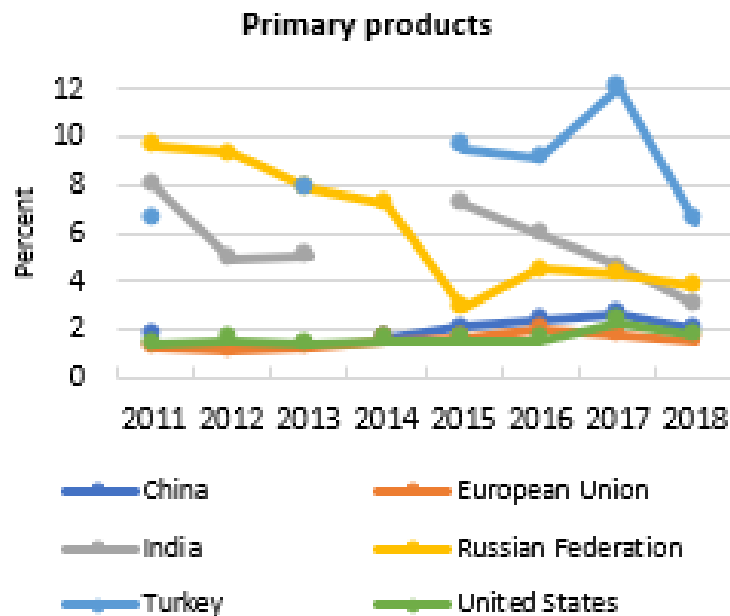
3 areas:

(i) Trade policy

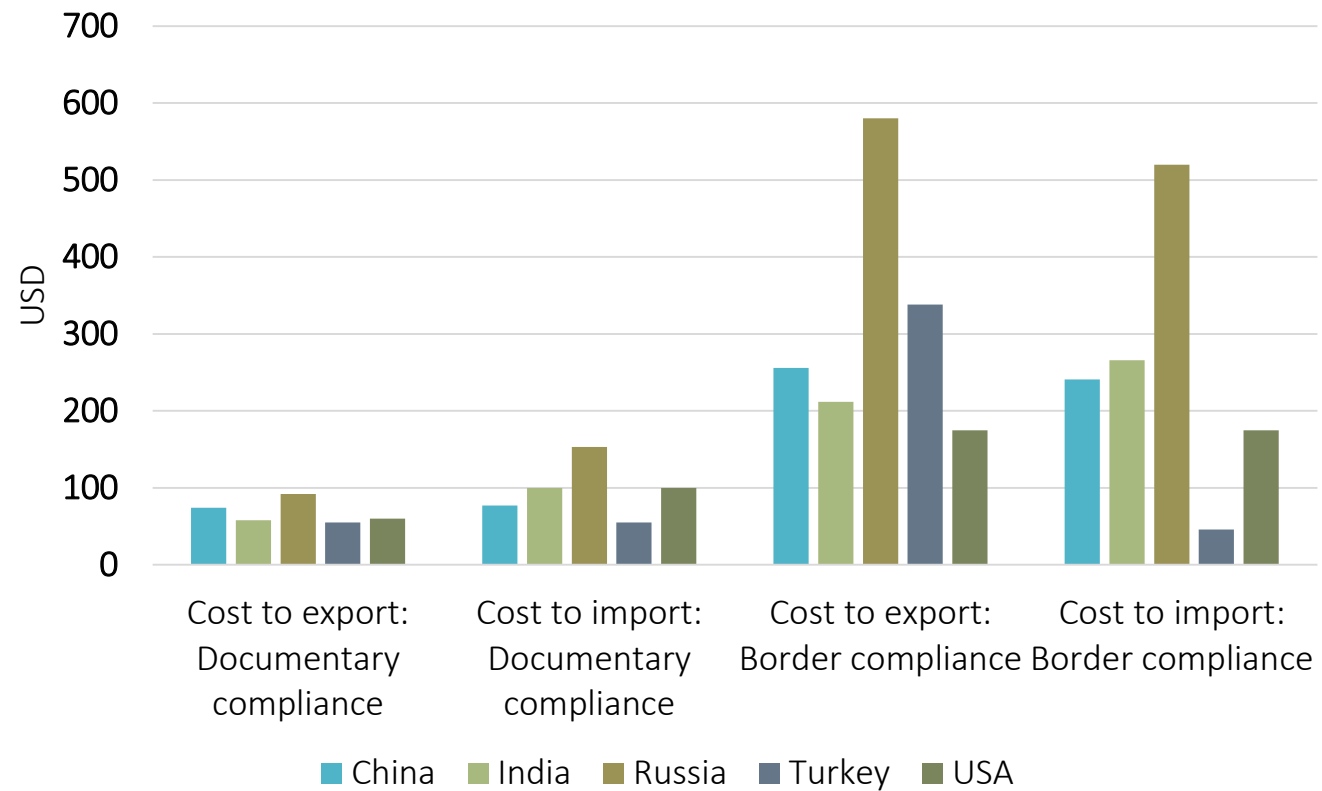
(ii) 'Servicification'

(iii) FDI

Import tariffs on primary and manufactured products in Russia have fallen but they remain higher compared to some comparator countries



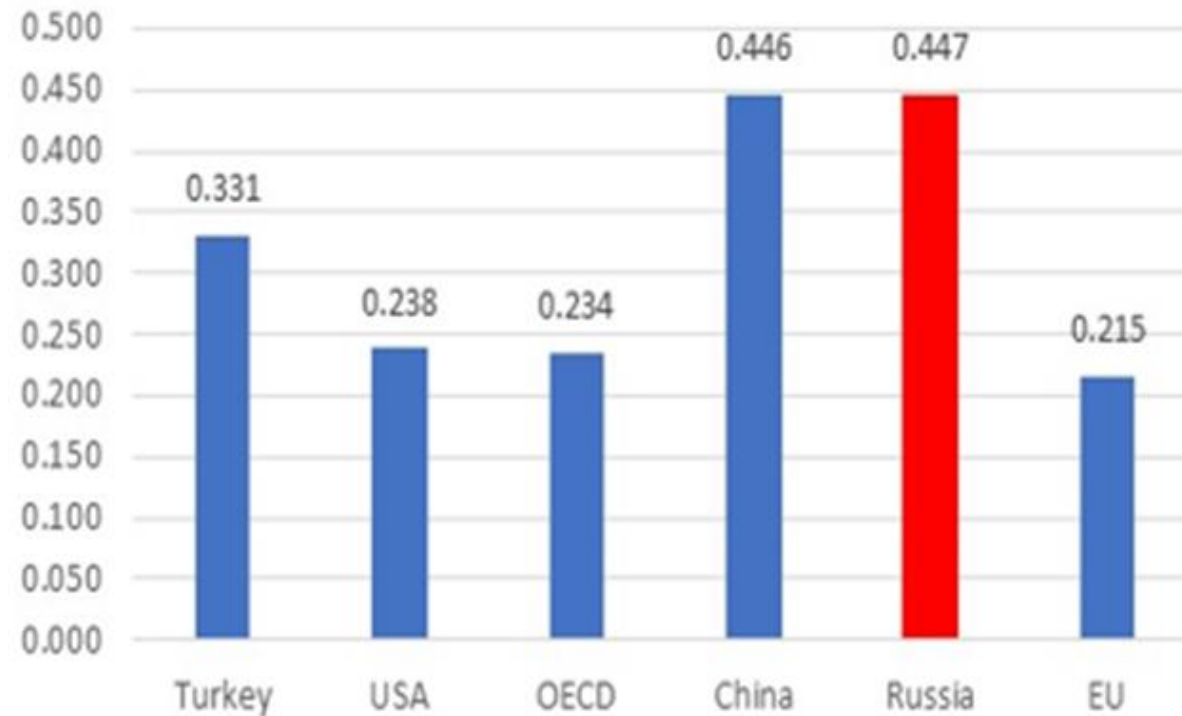
Russia faces long times + high costs to trade across borders



(ii) Services

Russia is services trade restrictive

(average STRI across all sectors, 2018)

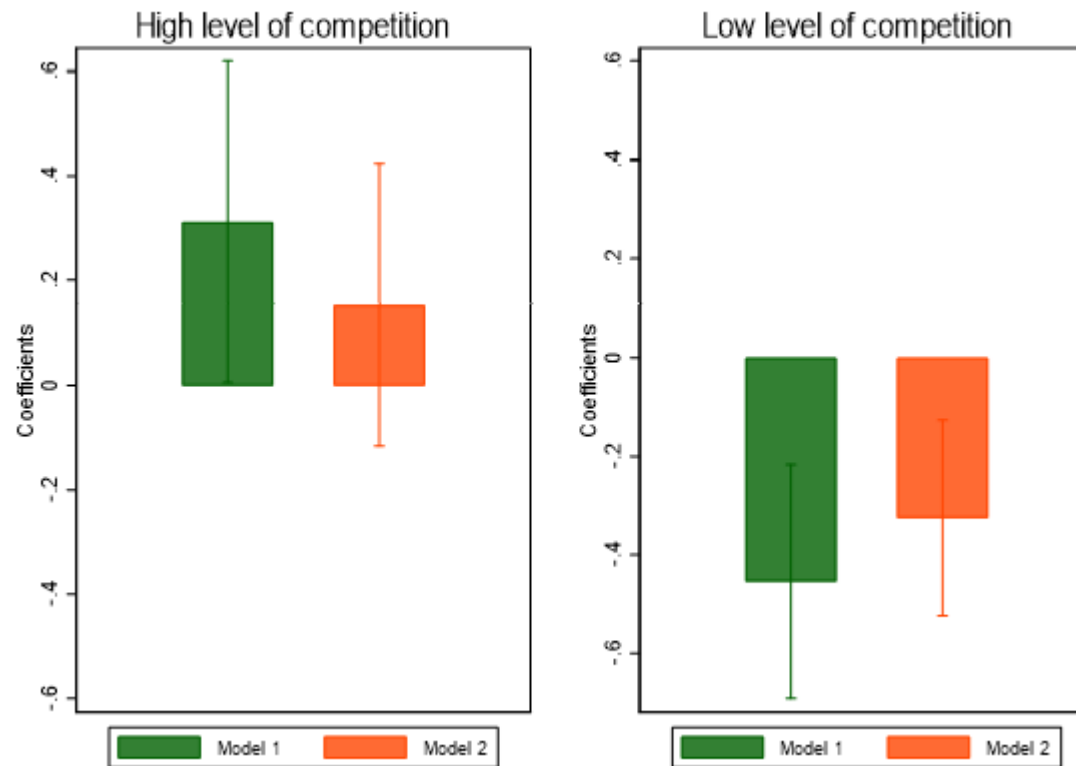


(iii) Facilitating FDI and spillovers

FDI can act as a catalyst for Russia's GVC upgrading

- Multinationals are **larger & more productive**
- Labor productivity **x2** than Russian firms
- MNCs **more successful** tapping into GVCs than Russian firms.

Spillovers from foreign to domestic firms in Russia +ive in sectors with more competitive markets



Covid-19 induced changes in the GVC architecture:
Opportunity in terms of re/near-shoring

