

THE ECONOMIC VULNERABILITY OF RUSSIA – Mike Hollinshead

Population: Aging and Declining. The population of Russia peaked in 1993 at 148m and is now 146m. It is hard to man an army and an economy and sustain consumer driven economic growth when your population is declining. The labour force has been shrinking since 2010. The population is aging which means which means the dependency ratio is increasing. When productivity is poor and not increasing that becomes a severe burden. It isn't as bad as in other countries as life expectancy is short - old Russian males drink themselves to death.

It is the only advanced country for which life expectancy has declined in modern times ([1965-2005](#)) and though it has increased since it is far short of Western countries. For example, life expectancy for men is only 62 compared to 80 in Canada.

Narrow Export Base. 2/3 of exports are petroleum and petroleum distillates Embargo those and the effect will be painful. If China were to walk over the border of Manchuria into Siberia, Russia's exports would fall by 2/3. Imports from the US and its allies are more than 1/4 of the total. Financial and economic sanctions therefore really hurt its ability to project power.

Scale of Income. Russian GDP is puny compared to Western countries Russian GDP = Texas GDP
GDP \$t US (2021)

Russia	1.5	Italy	2.1	UK	3.1	Germany	4.2	USA	21.0
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Productivity. GDP per hour worked Russian relative to USA (2020) 40:43 It has risen in recent years but that is due to large sales of natural gas and oil from Siberia to Western and Central Europe. In manufacturing their performance is poor, except for military products where most of its effort goes. Their biggest auto manufacturer is French, before that it was Italian. They can't make consumer products for toffee. According to the OECD productivity in Russian as fallen steadily over the past 15 years and has been negative since 2012. The only exceptions are in foreign owned facilities.

[https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=ECO/WKP\(2019\)62&docLanguage=En](https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=ECO/WKP(2019)62&docLanguage=En)

An embargo on Western investment in Russia and the export of technology such as machine tools and automated equipment would really hurt.