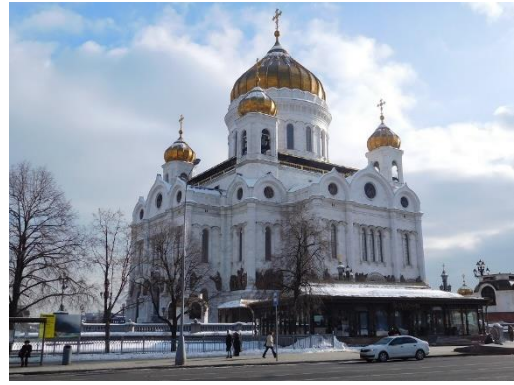


1 Church of the Transfiguration of the Lord on the Sands



2 Cathedral of Christ the Saviour

University of Oxford, School of Interdisciplinary Area Studies Russian and East European Studies (REES) Blog

Academic Visits to Moscow in Early 2018: Activities, Observations on Contemporary Developments, and Plans for Research Out to 2020

Christopher Mark Davis
14 March 2018

This REES blog is being completed on the day the Prime Minister addressed Parliament and imposed sanctions on Russia in response to the incident on 4 March in Salisbury (e.g. expulsion of diplomats, ban on officials participating in the World Cup in Russia, freeze on high-level official contacts, tightening of financial controls). Fortunately, the PM made it clear that these measures, which will complicate official UK-Russia relations, are not intended to interfere with lower level exchanges between people of the two countries, including those working in the academic sphere. So visits to Russia by students and scholars are likely to continue, but in a strained environment.

I had intended to focus this blog on two research trips I made to Russia in early 2018, before the crisis developed. However, I decided to re-orient my piece slightly to call attention to how my current academic positions and activities in Russia are linked to past experiences, knowledge of Russian language, long-term personal relationships, and trust developed over time.¹

I made two research visits to Moscow (28 January-4 February and 24-28 February) to carry out work related to several projects, including that of the *Research Laboratory on the Economics of Health and Health Reform* at the *Russian Presidential Academy of the National Economy and Public Administration* (RANEPA), which I co-direct on a part-time basis.² While in Russia I completed formalities related to the extension of the *Laboratory* for an additional year, finalised the research plan for 2018, and discussed academic-related work in different areas with colleagues.³

¹ With respect to my background, I would pick out the academic year I spent in the *Economics Faculty* of *Moscow State University* in 1976-77 as a participant in the USA-USSR postgraduate academic exchange (year 4 of my work for the Ph.D. in Economics from Cambridge), participation in visits to the *Central Economic-Mathematical Institute AS USSR* in the 1980s, and close links with scholars in universities and institutes in independent Russia since 1992. Over this forty-year period I have made 50 academic-related visits to the USSR/RF, including during West-Russia crisis periods (e.g. invasion of Afghanistan in 1979, boycott of the Olympics in Moscow in 1980, martial law in Poland in 1981, shooting down of KAL 007 in 1983, and President Reagan's *Strategic Defense (Star Wars) Initiative* in 1984).

² I co-direct this project with a Russian colleague and Prof. Christopher Gerry of Oxford REES/SIAS. Chris G. and I have been working together on academic administration (e.g. CEELBAS) and projects on health economics since 2006. A blog about our joint visit to Moscow in November 2017 can be found at: <http://www.rees.ox.ac.uk/rees-academics-visit-moscow-research-and-observe-events-related-100th-anniversary-great-bolshevik>

³ During these visits my wife, Antonia Cunliffe-Davis, and I took the photos that appear in this blog of buildings, activities (such as a free open-air ice skating performance of *Swan Lake*), and exhibitions at the *Multimedia Art Museum, Moscow* (MAMM) (e.g. a loan of modern works from the *Ludwig Museum* in Germany).



3 Young Critic at MAMM



4 Lobby in MAMM

On 4 February I returned to Oxford and participated in the *Vorontsov Foundation Private Discussion about Russia and Ukraine* that was held at Christ Church. I prepared written comments for this event that covered four topics: Economy; Politics; Defence; and Economic Sanctions. An edited version of my observations is provided at the end of this blog.

Over the past four years the RANEPА project has supported my research on health topics and on ageing and the elderly.⁴ The latter generated my 2017 article in the *Journal of Population Ageing* on [The Changing Capabilities of Cohorts of the Elderly in Russia During 1990-2020: Measurement Using a Quantitative Index](#). This article emphasizes the importance of the linkages between capabilities of the elderly (e.g. *Health Status*) and the health production process. My concepts and models related to production processes were developed initially for my 1980 Cambridge Ph.D. dissertation on *The Economics of Health in the USSR* and were based on the ideas of my Supervisor, Prof. Sir Richard Stone (Nobel Prize in 1984). I made use subsequently of similar methodology to analyse the national security production process (1985 onward), the defence sector production process (1987 onward), the second economy (illegal transactions) (1988 onward), and the capabilities of the elderly (2017).

My most recent article incorporating a production process (as the lead author with two Russian scholars from the Higher School of Economics (HSE), Sergey Shishkin and Alexandr Temnitsky) is entitled *Motivations of Doctors in the UK and Russia, 2000-2020: Concepts, Doctors' Perceptions, and Evidence*.⁵ This paper examines the hierarchies of motivations of doctors and the influences on motivation in medical systems of changes in work conditions and of financial remuneration (salaries versus performance-based pay). The article contains a theoretical section on the multi-dimensional motivation function of doctors and the influences on it of the health production process. It then makes use of UK and Russian data to evaluate developments affecting the motivation of doctors over the period 2000-2017. During my visits to Moscow, Prof Shishkin and I agreed on the final changes that need to be made before submitting the article to a journal.

⁴ Our *Laboratory on the Economics of Health* was approved by Prof. Vladimir Mau, Rector of RANEPА, in 2013 and he has supported its continuation since then. He and I met in Oxford in the mid-1990s while he was visiting on a sabbatical leave to work on a book about revolutions. In the 2000s I met him repeatedly in Moscow at RANEPА events.

⁵ Prof. Shishkin and I met in Moscow in the early 1990s, when he was moving into the field of health economics. I helped to arrange a visit by him to the *York Centre for Health Economics*. Our professional relationship has developed over the past 25 years. For example, I was a Visiting Fellow in his *Department of Health Economics* in 2011.



5 Smolenskaya Metro Station and Ministry of Foreign Affairs

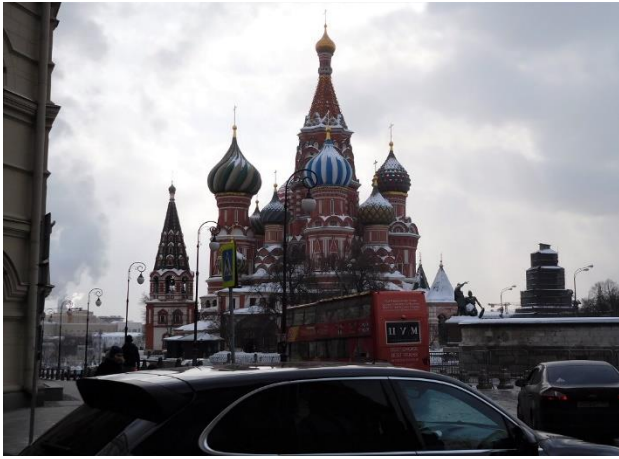


6 Interior of Arbatnaya Metro Station

I also discussed health reforms in Russia with Prof. Shishkin. Over the past two years he has been the *Head of the Working Group on Health* at the *Centre for Strategic Analysis* (directed by former Finance Minister Alexey Kudrin), which has prepared the *Strategy for Russia During 2018-2024*. It provides analyses of current situations in the economy and policy spheres (e.g. foreign relations) and reform proposals to the government under the next President, following the election on 18 March. On 21 February the health component of the *Strategy* was published (in Russian) with the title of *The Health Service: Necessary Answers to Contemporary Challenges* (<https://www.csr.ru/news/kakim-dolzno-stat-rossijskoe-zdravoohranenie/>).

The report presents a critical review of the state of health in Russia (e.g. per capita health expenditures in 2015 were \$762 in China, \$1,414 in Russia, and \$4,145 in the UK) and of drivers of future changes (e.g. population ageing, rapid technological progress). It then proposes health reforms to achieve the following six objectives: 1. Acceleration of the development and provision of biomedical technologies; 2. Promotion of healthy lifestyles; 3. Enhanced availability of high-quality medical services; 4. Improvements in the work conditions and income of medical personnel; 5. Establishment of a more effective drug supply system; and 6. Increases in the efficiency of health financing. The report identifies success indicators, sets ambitious targets for 2024, and proposes a budget to support the health reform measures.

With respect to the 2018 research plan for the RANEPALaboratory, I agreed to produce three studies that should generate publications in academic journals: (1) *Motivation and Performance of Doctors of Generation Y in the UK and Russia: Changes from the Past and Challenges for the Future*. The argument of this co-authored paper (with a *Generation Y* Russian researcher) will be that doctors from the *Millennial* generation in the UK (now 25% of NHS doctors) and Russia have different attitudes to careers and motivations from those of their predecessors in *Generation X* and the *Baby Boomers*.; (2) *A Comparison of Health Inequalities in the UK, Russia, China, and USA: Coverage, Depth of Benefits, and Expenditures*. The key organising concept in this paper is a three-dimensional diagram of health inequalities that has been used by me in presentations about Russia and the other three countries, as well as in a 2017 blog related to North Korea (<http://www.rees.ox.ac.uk/prof-chris-davis-lessons-economies-russia-east-europe-and-china-reform-north-korea-and-korean>); (3) *Comparisons of Health Inequalities in the UK and Russia*. This co-authored paper will be based on my past research on inequalities and comparisons of UK and Russia health sectors, as well as on more recent work by a *Generation Y* Russian co-author. The article will examine health inequalities related to age, socio-economic class, and residence (urban-rural, regions).



7 St. Basil's Cathedral in Red Square



8 Russian Decorations in GUM Department Store on Red Square

In Moscow I had a meeting with Prof. Alexey Gromyko, Director of the *Institute of Europe AS RF*.⁶ We discussed our respective research activities and current world events. He presented me with a copy of his 2017 book entitled *О Насущном Евроне в Современный Мир (About a Vital Europe in the Modern World)*. We also reviewed our experiences in preparing and submitting (last July) an application for a “megagrant” from the *Russian Science Foundation* to support a project based at *Lobachevsky State University of Nizhny Novgorod* (where he holds his Professorship) on the topic of *Modelling of Threshold Effects in Socio-Political Systems*. Last Spring Prof. Gromyko asked me to act as the *Lead Scientist* in the bid and to work on the application with a younger colleague of his at the university. Prof. Roy Allison of Oxford agreed to join our team.⁷ We submitted a strong application and made it to the final stage of the competition, but did not win a grant in the end (almost all went to projects in the natural sciences, biomedical sciences, and IT).

An unexpected development was that I was invited by HSE to be an external academic member of the new Dissertation Council of the *Department of Public Administration*, which will have, for the first time, university-level powers to award doctoral degrees, as in the West. At a meeting with top HSE academic administrators to discuss the work of the Council, it turned out that the most senior person had been previously a Professor at Moscow State University and a junior faculty member in the *Department of the Economics of the Non-Productive Sphere* in the *Economics Faculty* while I was a postgraduate exchange student in that Department during 1976-77. We realised that we had been aware of each other at the time, but we had avoided unofficial contact because of Cold War restrictions. As a result of my substantial experience in academic administration in the UK and this newly revealed past personal link, I may play some advisory role in the *Department of Public Administration* in the future.

⁶ I met Prof. Gromyko years ago in Oxford, which he visits regularly to consult with colleagues in the University (e.g. in *International Relations*) and in *St. Antony's College*, notably Prof. Alex Pravda and Prof. Roy Allison.

⁷ Roy Allison and I were Lecturers together in the *Centre for Russian and East European Studies* of the *University of Birmingham* during 1987-1991. We taught a 40-lecture course on *Soviet Defence Policy and Arms Control* and were Co-Directors during 1989-1993 of a large project sponsored by the *Ford Foundation* on *Soviet Defence and Conventional Arms Control*. This was in a period when governments and funding bodies considered “hard power” (armed forces) to be relevant to the modern world. They then shifted their focus to soft power, democracy, human rights, and market economies, until they were totally taken by surprise by Russia's annexation of Crimea in 2014. I moved to Oxford in 1991 and Roy followed some years later.



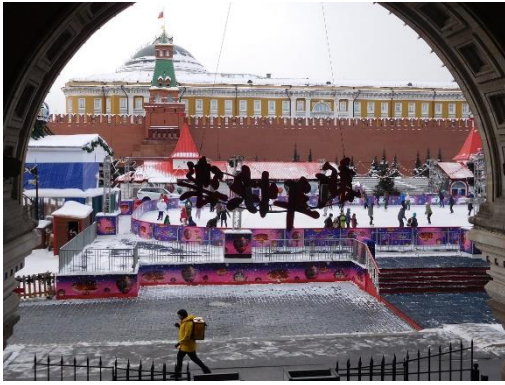
I followed up this administrative meeting at HSE by sending my Russian colleagues a recently unearthed clipping from the newspaper *Московский Университет* (*Moscow University*) from January 1977. The young man in the main photo is me, performing in the university's Mime group. This represented a joke on the censors by the Soviet students, who did not make it known to the authorities that I was a citizen of the USA. I joined this student group during my academic exchange year because I had been in a provincial ballet troupe in the USA and Mime was somewhat of a cover for modern dance, which was banned at the university at that time.

**Observations by Christopher Davis for the 4 February 2018
Vorontsov Foundation Private Discussion on Russia and Ukraine
Christ Church, Oxford**

Economy

The growth of the Russian economy was 1.5% in 2017 and should be higher in 2018. The recovery of growth was helped by the rise in the price of oil to \$70 per barrel from its recent low of \$28. Russian budget and medium-term economic forecasts have been based prudently on an oil price of \$40 per barrel. There should be an acceleration of growth of investment within Russia to 4.7% in 2018. It is likely that real wages, defence outlays, and social spending (health, pensions) will increase modestly. Medium-term forecasts of the economy from 2018 (the start of the new six-year term of Russia's President) to 2024 have been made by the *Kudrin Centre for Strategic Assessment* (*Strategy for Russia 2018-2024*) and the *Ministry of Finance, Ministry of Economic Development, and Central Bank of Russia*. The Kudrin programme is intended to improve the performances of market institutions and government organisations, accelerate technological progress and international competitiveness, and develop human capital by greater spending on health, education and social welfare. In the anticipated period of financial stringency, it is proposed that this be achieved by “budgetary manoeuvre”, which could involve re-deploying funds released by reductions in expenditure on defence, the state bureaucracy, and international activities. The current well-endowed *Russia State Armaments Program 2020* will end soon and the new one for 2018-25 is expected to be less generously funded. Reforms/re-organisations of government bodies will release many state employees and therefore will generate budget savings. An example was the 2016 merger into the *Ministry of Internal Affairs* of the *Federal Migration Service* (now *Main Directorate for Migration Affairs*) and the *Federal Drug Control Service* (now *Main Drugs Control Directorate*). The *Investigative Committee of the Russian Federation* (*SledKom*), the primary anti-corruption agency that replaced the *Russia Prosecutor General's Investigative Committee*, may be subject to a similar re-organisation. It is anticipated that there will be a scaling back of military involvement in Syria as strategic objectives are achieved. But Russia is unlikely to organise a photo op on its aircraft carrier with President Putin standing under a large banner saying *Миссия Выполнена!* (*Mission Accomplished!*).

Source: Newspapers, television and conversations in Moscow and Oxford University lectures on the Russian economy.



9 View from GUM of skating rink in Red Square in front of Kremlin



10 Billboard advertising Moscow Season in Revolution Square

Politics

With respect to the March Presidential election, it is anticipated that there will be a reasonably high, but not historic, vote for President Putin. There is more interest in Russia in the future Prime Minister. Medvedev was in a weak position in early 2017 because of allegations about personal enrichment published on the web. But that was a year ago and the situation has not been mentioned in the official news on television. Kudrin was viewed as a possible successor and appeared to be positioning himself effectively. But his *Strategy* work has not been as influential as anticipated and he had an illness in early 2018 that required hospitalisation. So there are some questions about his health in the medium-term. It now is more likely that Medvedev will stay on for a while. But if he departs, a possible replacement would be Elvira Nabiullina, the current head of the *Central Bank of Russia*.

Source: Newspapers, television and conversations in Moscow.

Defence

Over the past three decades Russia has substantially reduced the size of its armed forces, the quantities of its military equipment, and the defence share of GDP. A comparison of Russia in 2013 with the USSR in 1990 is shown in the table below.

	Armed Forces	Tanks	Combat Aircraft	Defence % GDP
USSR 1990	5 million	61,500	4,335	15
Russia 2013	845,000	2,550	1,389	4

However, since 2000 Russia has increased real defence spending, carried out reforms of its armed forces, improved military readiness, and modernised military equipment. Russian conventional force capabilities in Europe now are substantially better than those of the UK (and other European countries), but this is because the UK national security decision-makers withdrew the nation's forces from Germany and drastically cut the numbers of its military personnel and their equipment. In the 2000s the UK and USA also reduced their intelligence efforts focussed on Russia to pursue the *War on Terror*. As a result of these actions, NATO's conventional deterrence in Europe was undermined. Furthermore, it was taken by surprise by Russia's military-political operation to annex Crimea, even though clear signals had been given by Russia that it had "red lines" in the *Near Abroad*. And Putin was not Obama-like in his treatment of red lines.⁸

⁸ The annexation of Crimea by Russia was a clear case of a *Surprise Attack*, as defined and analysed in the book of that title by Prof. Richard Betts of Columbia University. This publication was presented to me by the author, who is my oldest friend from primary school in Newton, Massachusetts.



11 Open Air Swan Lake in
Revolution Square: Excited Swans



12 Open Air Swan Lake in
Revolution Square: Tranquil Swans

However, Russia is not spending an excessive amount on defence and is likely to restrain defence expenditure growth in the future. It is facing substantial conventional force threats and has challenging commitments (North Korea, China, Central Asia, Caucasus, East Ukraine, Syria). NATO has much greater economic-defence power than Russia and superior military technologies. In my opinion, taking all these factors into account, there is close to zero probability that Russia would launch a conventional military attack on a NATO member country, such as one located in the Baltic region. I think that the current strident warnings about the Russian military threat by UK journalists, government officials, and think tank experts are mainly driven by a neo-Cold War ideology, a British determination to be close to the USA (as with Iraq), and efforts to obtain a larger budget for the MOD (the latter is a reasonable objective).

Sources: Newspapers, television and conversations in Moscow and Davis, C. (2017a) "Russia's Changing Economic and Military Relations with Europe and Asia from Cold War to the Ukraine Conflict: The Impacts of Power Balances, Partnerships and Economic Warfare". This was published as a chapter in a book published by the Korea Institute for International Economic Policy: [KIEP Davis Russia Europe Asia 170418.pdf](#) and Davis, C. (2016) "The Ukraine Conflict, Economic-Military Power Balances, and Economic Sanctions". This was published in Post-Communist Economies: <http://www.tandfonline.com/doi/full/10.1080/14631377.2016.1139301>

Economic Sanctions

In my 2016 article cited above, I pointed out that the West has been conducting economic warfare and/or imposing sanctions on Russia (in the USSR and independent) for 100 years (since the October 1917 Revolution). In response, Russia has developed effective counter-measures (*spetsinformatsiya*, trade diversion). The 2014 anti-Russia economic sanctions were limited in scope (so they did not constitute economic warfare) and were not supported by many large economies (China, India, Brazil, Turkey, South Korea, Iran). As a result, there has been much legal non-compliance and leakage. My assessment in 2016 was that economic sanctions had had limited impacts on the economy, political processes and the defence sector in Russia. Developments over the past two years have not changed my opinion.

In Russia there is a perception of growing divisions (mostly hidden at present) between the USA and Europe over the continuation of Ukraine-related economic sanctions. It is understood that there is a strong anti-Russia mood among the foreign policy elite in the USA (Democrats and pre-Trump national security officials and analysts). Russia's assessment is that the true USA conditions for removing economic sanctions are its withdrawal from Eastern regions of Ukraine and return of Crimea to Ukraine. But in my judgment, it is inconceivable that Russia would comply with the second condition. The US Congress has passed legislation to take control of economic sanctions away from President Trump, which means the maintenance of USA sanctions against Russia in perpetuity.



13 Open Air Swan Lake in
Revolution Square: White Swan



14 Museum of the 1812 War in
Revolution Square

In contrast, most European countries link economic sanctions to the Minsk II accords (settlement of East Ukraine conflict) and are prepared to put the Crimea issue on the back burner (as the USA did with Estonia, Latvia, and Lithuania following their annexations by the USSR in 1940). Given this situation, and existing and potential European business interests in Russia, there are growing movements in several important European countries to scale back sanctions. The Russian reaction to the recent move by the USA to issue a long list of Russian politicians, government officials and wealthy citizens (oligarchs) who are potentially subject to sanctions has been that this is further proof that some Americans in the US government are hostile and incompetent (many of the names appeared to have been copied from the *Forbes' 2017 Rich List*).

Post-script 17 March 2018:

The UK government has imposed additional sanctions on Russia (mentioned above in the introductory paragraph) in response to the 4 March incident in Salisbury. But it has not yet introduced measures to restrict ownership of properties by Russians or to ban Russian company listings or debt issuance (*FT* 17 March 2018). The USA has announced new financial sanctions targeted at Russian individuals. However, in my opinion, it is unlikely that the new waves of UK and USA sanctions will have serious adverse impacts on the economy of Russia or will change national security decision-making there.

Some anti-Russia politicians and journalists have started to call for a global boycott of the *World Cup* in Russia in June-July 2018. But the USA cannot lead this effort, as it did in organising the boycott of the 1980 *Olympic Games* in Moscow, because the USA team (World Rank 25) was too inept to qualify in the easiest Confederation (e.g. losing to Trinidad and Tobago). A serious attempt by the UK government to arrange a boycott would be undermined by the perception (perhaps by the Germans) that this would be a cover to avoid the embarrassment of the weak England team (World Rank 16; Northern Ireland, Scotland and Wales failed to qualify) not making it out of its group (Belgium, Panama, Tunisia). In any event, Argentina, Brazil, China and many other countries that have qualified are not supporting any sanctions against Russia.

Source: Newspapers, television and conversations in Moscow and sources cited under Defence.

Christopher Mark Davis has been a senior academic at Oxford since 1991. In Oxford he currently is *Reader in Command and Transition Economies (Emeritus)*, *Professorial Research Fellow* at the *Oxford Institute of Population Ageing*, *Senior Research Fellow* in *REES/SIAS*, and *Fellow*, *Wolfson College*. In Russia he is *Head of the Research Laboratory on the Economics of Health and Health Reform* at the *Russian Presidential Academy of the National Economy and Public Administration*.