

NATURAL RESOURCES: A CURSE OR A BLESSING? POLITICAL INCENTIVES IN THE RESOURCE ALLOCATION (EXAMPLE OF GAZPROM)

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In my presentation I will reflect on whether politicians (in particular Russian ones) tend to over-extract the natural resources, because of the boundaries to their short-term power and the willingness to satisfy the needs of the population during the period when they are in control; this strategy can contradict effective path in the medium, and long run. There is a model developed to answer to this questions by the scientists of Norwegian University of Science and Technology, James A. Robinson, Ragnar Torvik, and Thierry Verdier which can be applied to Russia as well, but interestingly there are major differences, and it seems to be that Russia's situation is distinct, what does not surprise much taking into account its position on the market.

Second question is the tight relationship between Russia's national income and natural resources export. Past successes and failures and current budgeting: the tendencies are changing, but they are not powerful enough to influence the "philosophy of the industry", and clientelism which is an existing challenge that in the long run reduces the profitability of export on the one hand, and results in exhaustion of natural resources on the other.

The effect of natural resources on the economy is closely dependent on accountability and competence of the government, which hare promoting effective extraction and supply of natural resources. Is this principle applicable to Russia? Yes, it is, but it's quite interesting to examine the probable projects which both governmental and non-governmental organizations could run to change the industry approach (fundamentally). A deep gap between theory and practice appears on the stage. But there are movements to the positive change (for example the openness of Gazprom to the foreign ownership, and the sale of its stock on London Stock Exchange, upgrading its bonds, etc.).

One more aspect not to miss is the environmental policies of Gazprom and the SHELL case, when the company was refused by the Russian government to operate on the territory of the country because of the environmental issues. Again politics? Most analysts agree upon that. I would also like to explain the changes in the systems form Soviet times. It seems quite logical that bold investment into the protection of environment will result into the improving of the positive image of the organization and will prove that the principles mentioned in social responsibility report are not just cheap marketing, but a worthy argument to support the reputation of the company. But it's happening rather automatically: the company is switching to innovative technologies to increase the productivity, what still remains the priority for the company.

But overall the attitude to Gazprom and hence the government does not experience substantial changes, and the population is not rebelling against it. Maybe because it would not make too much sense: anyways it's a monopoly, but on the other hand do the theories about ineffective and exploiting Russia confirm themselves in the reality? At least inside of the country, it does not. Of course the situation is different with Ukraine, but the problems are purely of political nature. It's the same with Belarus.

And this problem is not beneficial for both sides, because in a long-run not prices but stability brings continuous development and success. (There is a theory that in a long run, price does not influence demand.)

I would like to conclude by summarizing the main points and question section, what will bring us to the new ideas on the topic.