

Development Of The Some Regions Of The Russian Empire In The Light Of Modern International Rating Assessments Agencies

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Abstract

The article deals with issues related to the stages and trends of the three countries that were part of the Russian Empire - Russian Empire as a basis, Finland as a relatively autonomous state in its composition as Estonia, Livonia and Georgia. Analyzes the characteristics of the economic model of the country, changes in the structure of the economy and the level of productivity, economic growth and development on the example of summarizing complex index of the level and dynamics Index economic freedom, Human Development Index, Global competitiveness Index (GCI), Sustainability – adjusted GCI, Economic knowledge index (EKI) , Ease of doing business index (EDI), Legatum prosperity index and others.

Keywords: Economic models, structure and growth of the economy, the index of liberality, human capital, knowledge economy, human development, global competitiveness, entrepreneurship, prosperity, sustainability and others.

This inscription is taken from the survey part of the former Russian empire, being characterized by the development of the regions of the world by credit rating agencies. Especially interesting is to observe, in particular in the former Soviet republics (Russian Federation, Estonia and Georgia) development, as Finland was the Russian Empire, the dissolution of the USSR out and developed their own way of capitalism bosom. The same happened in Estonia, but was incorporated into the USSR in 1940.

The development of capitalism in the Estonian and Livonian provinces began earlier than in the whole of the Russian Empire because of the abolition of serfdom in 1816 (partly it is a merit of the Baltic barons), which is about 45 years earlier than in Russia. In Russia, capitalism has historically a very 'late' character of development.

Estonian province was one of the most developed regions of the empire, with the developed agriculture, industry and rapidly developing

infrastructure. In the period of the first independent state of Estonia has made considerable progress in agriculture and cultural life, as well as the overall development of the state economy. At the moment of "entry" into the Soviet Union Estonian economy was roughly on par with the economy of Finland, which is both politically and economically was under the influence of Sweden.

After the 2nd World War, Estonia remained in the Soviet Union and Finland as an independent, lost war state had to pay a significant indemnity USSR. Finland has developed a good trade relations to the USSR, which partly contributed to its rapid development. In the period of becoming independence from Estonia and Russia, Finland was ahead of these countries in terms of GDP per capita approximately 3-4 times. Georgia belong to Empire from the beginning of the 19th century until independence in 1991. In the 19th century there was created some industries (for some time,

40% of the world production of manganese), but belonged to the Georgian particularly citrus fruits, wine and cognac land.

The starting position was more or less the same in all countries.

On the basis of various quantitative and qualitative indicators based mainly on data from different Rating Agency and social statistics, the author maps the dynamics of the three economies in the period of independence, analyzes the features of the economic model of the country, changes in economic structure and level of productivity, economic growth and development on the example generalizing such complex terms as the level and dynamics of the indices of liberal economics (Index economic freedom), human development (Human Development Index), the global competitiveness (Global competitiveness Index), the knowledge economy (Economic knowledge index) and business (Easy of doing business index) as well as data on the level of economic sustainability. By giving to understand that, in this case, such a comparison is motivated primarily based on the historical aspect of national development. Alone, Russian and Estonian economies against each other is comparable to an elephant and mosquito comparisons, so different is the sole national scale, and comprehensibility. These data in the article are based on official data statistics agencies of Russia, Estonia and Finland, the World Bank, the World Economic Forum, World Factbook and other sources. The purpose of this writing is not to make fundamental conclusions, only possible systematically to provide information, to create some kind of idea of national development and the problems on which it is not successful, and which have shortcomings.

Economic model. Economic freedom

Economic models and the level of liberality of countries economic considered advisable to analyze on the basis of the typology proposed in

monography of Ruslan Hazbulatov (World Economy. "Yurait" 2012), where author gives a typology developed postindustrial countries and identifies a number of models of capitalism: Western European, American, Scandinavian, Japanese, Chinese, Luxembourg, Latin American, South African and Arabic.

Since Finland is clearly representative of the Scandinavian (Swedish) model of the economy. Estonia is still not completely steady economy, too, is committed to this model. As President of Estonia Lennart Meri expressed "... in the end, our goal is to become a boring Scandinavia."

The Scandinavian model is presented in basically all the basic features inherent economic model developed capitalist countries (US, Western Europe, U-Korea and so on.): 1) the welfare state, 2) the social state, 3) the social economy, 4) a high level of income, 5) the high cost of health care, education, culture, human development, 6) high share of spending on environmental protection, 7), the growth of "smart" industries, 8) relative equal distribution of income among the population, 9) percentage ratio between large, medium and small firms – 0,2: 7,1: 93,1) development of the municipal economy, 11) the density of small businesses (one firm per 10 inhabitants).

Scandinavian model characterized by a developed system of regulation, most of conformity concept of "welfare state", low income difference (the lowest Gini index in Sweden - 25, in Finland 27), the lowest poverty rates (below 5%), a high degree of solidarity groups (development of civil society), significant public sector mainly in transport, power, community-municipal level, focus on common interests (decile ratio of 1: 4). This model is characterized by shortcomings, so inflated socially promotes employment and good unemployment benefits allow not bad to live without working.

Estonian model has some special features: the preservation and the desire for greater liberalism as it is possible within the EU (in the ranking of liberal economy it is on the 8th place in the world in 2015), a feature of fiscal policy (proportional income tax, 0 -tax from profits, the equilibrium budgets, low government debt - 10% compared with 60% in Finland and 220% in Japan). Being watched a certain convergence in the EU, especially in terms of the level of prices for goods. Income of the population unfortunately converge to Western European levels more slowly, probably due to lower efficiency of the economy, to some extent due to its structure, a low level of production technologies in many enterprises, lack of economies of scale, associated with larger economies and companies (average real wages about 2,5 times lower than in Finland) . The content of the state for a small economy is very expensive , although it is characterized by the concept of e-government.

Estonia and Finland are included in the EU, they have all freedoms, typical for this union: the free movement of capital, goods, people and commitment to the free movement of services.

In the Russian model of capitalism Ruslan Khazbulatov highlights: the weak development of the first 5 and 10-11 above the inherent Western European model of factors, loss of social economy and the state, the weak development of small businesses, large difference of income (Gini index over 40, the World Factbook 2015). The system of the public sector - different industry enterprises show poor efficiency due to poor organization and poor management. Social separateness of people, increased poverty, low efficiency of large enterprises, their alliance with the government, high corruption (in the ranking of corruption Russia ranked among the countries with high corruption Index 27 (136- th place), Finland has an index of 89 (3 rank), as less corrupt and Estonia 69 (26) - as moderately corrupt country (Transparency International). The increased administrative interference at all levels of power (characteristic of even the so-called "manual management of the economy). Transition model is not moving closer to the European (recently seen attempts at rapprochement with the countries of the BRICS group, economic and political confrontation with the EU).

Here we consider how the countries in question are classified by the index of economic freedom: Experts Heritage Foundation define economic freedom as "the absence of government interference or obstruction of production, distribution and consumption of goods and services, except for the necessary protection and support to citizens freedom itself." The Heritage Foundation every year for the annual accounting results in comments on the basic directions, which gives an indication of advancements and challenges in terms of economic freedom. Index of economic freedom based on 10 indices, measured on a scale of 0 to 100, with the index of 100 corresponds to the maximum freedom, and 0, respectively, the minimum. All countries on this index are divided into the following groups:

- free - with an index of 80-100;
- mostly free - a measure of 70-79,9;
- moderately free - a measure of 60-69,9;
- mostly unfree - a measure of 50-59,9;
- repressed - a measure of 0-49,9.

The weight of each of the 10 factors considered to be the same, so the final index is the arithmetic average of these indicators. According to the authors of the index, economic development is directly linked to the dynamics of this index. In Table 1 represented by the countries in question the classification of the index of economic freedom.

Table 1. Index of Economic Freedom:

	<u>Estonia</u>	<u>Finland</u>	<u>Georgia</u>	<u>Russia</u>	<u>Rank 1</u>	<u>Index</u>
<u>Indicators</u>	<u>76,8(8)</u> <u>Mostly free</u>	<u>73,4(19)</u> <u>Mostly free</u>	<u>73(22)</u> <u>Mosly free</u>	<u>52,1(142)</u> <u>Mostly unfree</u>	<u>Honk kong Free</u>	<u>89,9</u>
<u>Rule of law</u> <u>1. Property rights</u> <u>2. Freedom from corruption</u>	<u>90(3)</u> <u>68(28)</u>	<u>90(3)</u> <u>89(3)</u>	<u>40</u> <u>49</u>	<u>20,0(138)</u> <u>28,0(132)</u>	<u>New Zeland NZ</u>	<u>95,0</u> <u>91,0</u>
<u>Limited government</u> <u>3. Fiscal freedom</u> <u>4. Government spending</u>	<u>90(3)</u> <u>68(28)</u>	<u>66,4(15)</u> <u>3,6(173)</u>	<u>73,8</u> <u>87,2</u>	<u>86,1(44)</u> <u>57,8(119)</u>	<u>Arab Emir. Singapur</u>	<u>99,5</u> <u>93,8</u>
<u>Regulatory efficiency</u> <u>5. Business freedom</u> <u>6. Labour relations freedom</u> <u>7. Monetary freedom</u>	<u>81,5(28)</u> <u>58,7(105)</u> <u>77,6(78)</u>	<u>92,6(7)</u> <u>54,8(120)</u> <u>79,9(55)</u>	<u>88,6</u> <u>79,9</u> <u>82,7</u>	<u>76,3(40)</u> <u>58,9(104)</u> <u>63,9(174)</u>	<u>Honk Kong USA Dominican</u>	<u>100</u> <u>98,5</u> <u>89,5</u>
<u>Open markets</u> <u>8. Trade freedom</u> <u>9. Investment freedom</u> <u>10. Financial freedom</u>	<u>88,0(11)</u> <u>90,0(2)</u> <u>80,0(3)</u>	<u>88,0(11)</u> <u>90,0(2)</u> <u>80,0(3)</u>	<u>88,6</u> <u>80</u> <u>60</u>	<u>75,0(104)</u> <u>25,0(158)</u> <u>30,0(131)</u>	<u>Honk Kong Luxemb. Honk Kong</u>	<u>90,0</u> <u>95,0</u> <u>90,0</u>

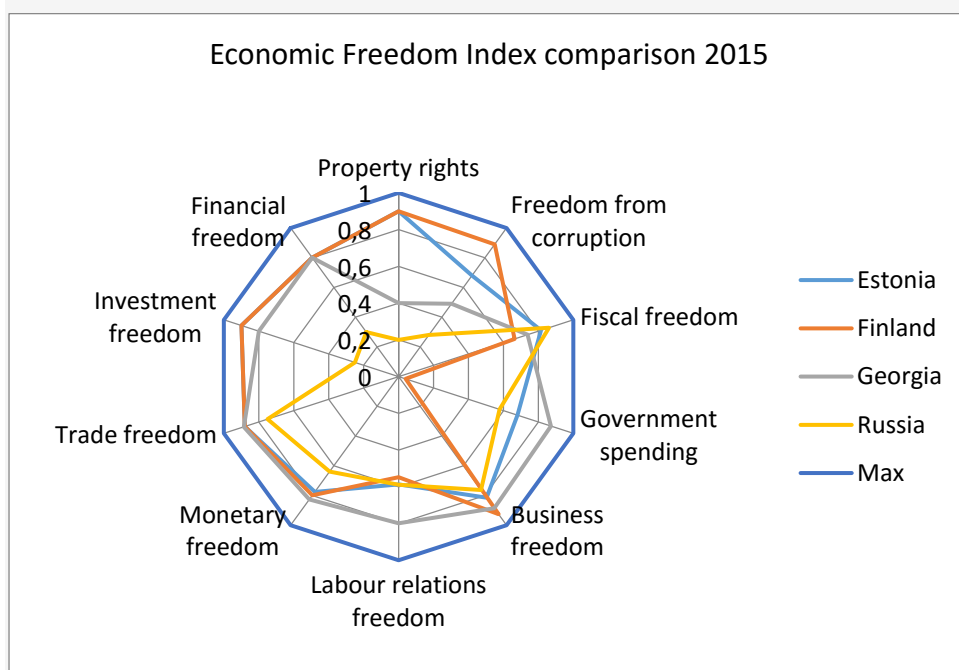


Figure 1. Economic Freedom Index comparison

The above table shows clearly enough the level of liberality in different sectors of the economy. The Heritage Foundation every year causes comments on the main directions of the annual accounting, which allows to judge the advancements and challenges in terms of economic freedom.

Estonia's economic freedom score is 76.8, making its economy the 8th freest in the 2015 Index. Its overall score is 0.9 point higher than last year, reflecting improvements in six of the 10 economic freedoms, including business freedom, freedom from corruption, and labor freedom. Estonia is ranked 2nd out of 43 countries in the Europe region, and its overall score is well above the regional and world averages.

Finland's economic freedom score is 73.4, making its economy the 19th freest in the 2015 Index. Its score is unchanged from last year, with improvements in labor freedom, fiscal freedom, monetary freedom, and trade freedom counterbalanced by declines in the management of government spending, freedom from corruption, and business freedom. Finland is ranked 9th out of 43 countries in the

Europe region, and its overall score is well above the world average.

However, over the past five years, its strong growth in economic freedom has ended, with declines in business freedom, monetary freedom, and control of government spending offsetting significant improvements in labor freedom. Economic growth has also stagnated.

A European leader in information and communications technology, Finland has developed a strong domestic market with openness, efficiency, and flexibility at its core. The rule of law is buttressed by strong property rights, and the perceived level of corruption is one of the world's lowest. As with other Nordic countries, government spending is high relative to the domestic economy, but the government remains committed to meeting deficit targets.

Georgia's economic freedom score is 73.0, making its economy the 22nd freest in the 2015 Index. With a 2.6-point score increase over the past five years, Georgia has registered improvements in five of the economic freedoms, including freedom from corruption, the control of government spending, business freedom, monetary freedom, and investment freedom. Achieving its highest score ever in the 2015 Index, Georgia has advanced further into the category of "mostly free."

Economic growth remains solid, foreign direct investment has decreased. Georgia has been committed to Euro-Atlantic integration. It hopes to join NATO and in June 2014 signed Association Agreements with the EU. Corruption is medium (Score 52, rating 48)

The foundations of economic freedom in Russia remain weak. Apart from connections with Europe, Russia remains relatively closed to trade and investment. The government screens foreign investment, and subsidized

state-owned businesses limit competition and market opportunities. Corruption and respect for property rights have improved little since the fall of Communism. The business environment is constrained by suffocating bureaucracy and a rigid labor market.

The Russian economy remains heavily dependent on gas exports. Russia became a member of the World Trade Organization in August 2012, but its bid to join the Organization for Economic Co-operation and Development has been postponed due to its recent actions in Ukraine. Corruption is rampant (Score 29, rank 119). Small elites control most of the nation's assets, and state institutions have been corroded. Anti-corruption campaigns are used to ensure elite loyalty and undermine political opponents. The rule of law is not uniform across the country, and the judiciary is vulnerable to political pressure and inconsistent in applying the law. Protection of private property rights is weak.

On the liberal economy, to some extent it indicates the stock of FDI at home and abroad the country.

Table 2. Stock of direct foreign investment in 2015 for different economies

	Estonia	Finland	Georgia	Russia	USA	Hong Kong
FDI at home, billion \$	26,34	139,7	13,25	360,9	3116,0	1838,0
FDI abroad, billion \$	9,3	208,3	1,8	404	5191	1720,0
Inhabitants , million	1,26	5,45	4,9	142,5	321,0	7,14
FDI at home per cap, \$	20904	25633	2704	2533	9707	257423
FDI abroad, \$	7380	38220	367	2835	16171	240896

Structural changes in economy, productivity

Structuring of economic activities by type makes it possible to apply the so-called sectoral representation of the economy. The totality of economic activities are grouped in three sectors:

I. The primary sector, including agriculture, forestry, logging, hunting, fishing, mining industry.

II. Secondary - which includes manufacturing, electricity, gas, water and construction.

III. Tertiary - combines service industries and activities

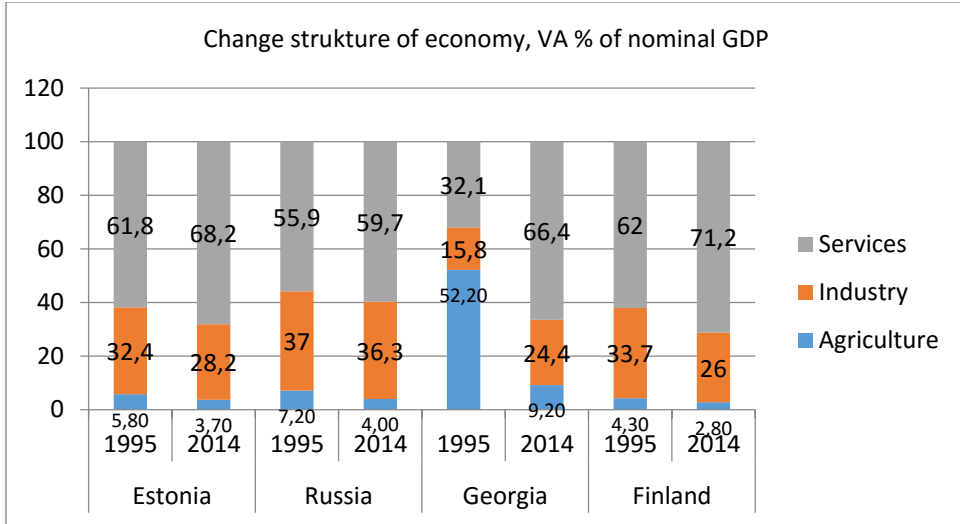


Figure 2: Changes in the sectoral structure of the economy of Estonia, Finland, Russia and Georgia in the value added in the period 1995 – 2014, source: World Bank.

The general trend in all countries is to change the structure of the economy in favor of the growth in the proportion of 3 sectors, mainly services (public and private) in the overall structure created by the DS. Very much happened in Georgia, where the proportion of 3-sector has grown more than doubled due to the decline in the share of the main 1.sektora more than 2.5 times

Productivity of basis the added value

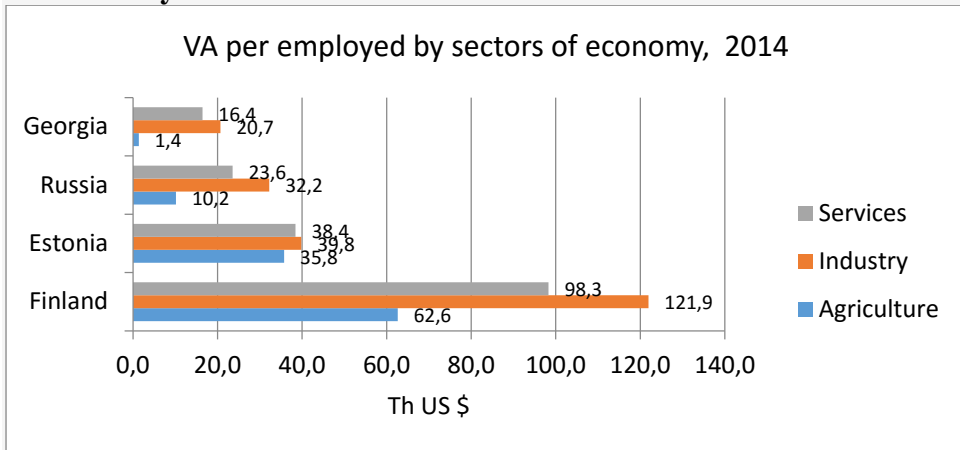


Fig.3 Level of value added per employed person in sectors of the economy of Estonia, Finland, Georgia and Russia in 2014

The level of value added per employed in industries of the economy is shown in Fig 4.

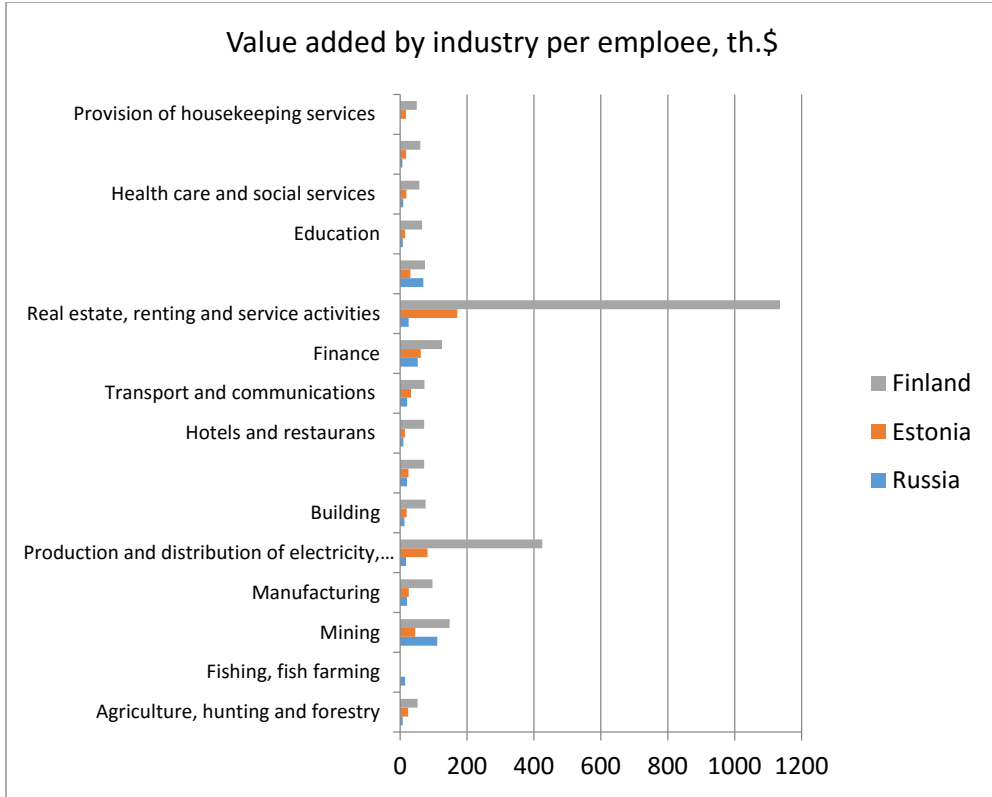


Figure 4. The level of value added per employed in industries of the economy

The Human Capital Index

A nation’s human capital endowment—the skills and capacities that reside in people and that are put to productive use can be a more important determinant of its long term economic success than virtually any other resource. This resource must be invested in and leveraged efficiently in order for it to generate returns—for the individuals involved as well as an economy as a whole.

The first edition of the World Economic Forum’s *Human Capital Report* explored the factors contributing to the development of a healthy, educated and productive labour force.

Table 3. Detailed Ranking in HC Report 2013

Human capital Report Year 2013

Country	Overall index		Education		Health and wellness		Workforce and empl.		Enabling environ.	
	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score
Switzerland	1	1,455	4	1,313	1	0,997	1	1,376	2	1,793
Finland	2	1,406	1	1,601	9	0,844	3	1,25	1	1,926
Estonia	27	0,571	20	0,862	22	0,536	39	0,142	26	0,745
Russian Fed.	51	0,01	41	0,377	62	0,027	66	-0,163	63	-0,201
Georgia	77	-0,258	74	-0,191	66	-0,005	102	-0,514	76	-0,321

In second, revised edition attempts to deepen the analysis by focusing on a number of key issues

that the first edition brought to the fore and that can support better design of education policy and improved workforce planning. The main changes from the first edition is that the first edition's four original pillars of Education, Employment, Health and Enabling Environment have been replaced by five vertical age bands, selected to capture the major phases in an individual's human capital development lifecycle and countries' demographic structure: Under 15; 15–24; 25–54; 55–64; and 65 and over.

Table 4. Detailed Ranking in HC Report 2015

Human capital Report Year 2015

Country	Overall index		Under 15 Age G.		15-24 Age Gr.		25-54 Age Gr.		55-64 Age Gr.		65 and older	
	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score
Finland	1	85,78	1	97,67	2	85,04	1	81,49	6	83,72	7	73,06
Estonia	16	79,88	10	93,2	18	77,09	23	73,59	11	82,59	11	71,69
Rus. F.	26	77,54	44	86,81	13	79,13	26	72,85	17	80,45	15	70,69
Georgia*												

* - no data

Finland (1) is the best-performing country in the world when it comes to building and leveraging its human capital potential, taking the top spot on the Under 15 and 25–54 Age Group pillars and scoring in the top 10 for the remaining age groups.

Estonia (16) placing well on the overall index. Võrreldes 2013.a. aruandega tõus 11 kohta. Ka VF tõusis 51 –lt 26 kohale, ehk 25 kohta. The Russian Federation (26) benefits from very high levels of primary, secondary and tertiary attainment across all of its age groups but also exhibits a low healthy life expectancy of 61 years.

Competitiveness

Ratings competitiveness based on a combination of public statistics and the results of the survey of business executives - a comprehensive annual survey conducted by the World Economic Forum together with its network of partner organizations - the leading research institutions and companies in the countries analyzed in the report. In year 2014, over 14,000 business leaders were polled in 144 countries. The report also included a detailed review of the strengths and weaknesses of countries, making it possible to identify priority areas for policy formulation and economic development of key reforms

Table 5. Global Competitiveness Index (GCI) for 4 country, World Economic Forum

Year	Estonia		Finland		Russia		Georgia		Rank 1	Score
	Rank	Score	Rank	Score	Rank	Score	Rank	Score		
2014-15	29	4,7	4	5,5	53	4,4	69	4,2	Schweiz	5,7
2013-14	32	4,7	3	5,5	64	4,25	72	4,2	Schweiz	5,67
2012-13	34	4,64	4	5,5	67	4,2	77	4,1	Schweiz	5,72
2011-12	33	4,6	7	5,4	66	4,2	88	4,0	Schweiz	5,75
2010-11	35	4,6	6	5,4	63	4,2			Schweiz	5,63
2008-09	32	4,7	6	5,5	51				USA	5,74
2007-08	27	4,7	6	5,5	58				USA	

The Global Competitiveness Index is composed of 113 variables that describe in detail the competitiveness of countries at different levels of economic development. The set of variables by two-thirds consists of the results of a global survey of business executives (to cover a wide range of factors affecting the business climate in the countries studied), and one-third from public sources (statistics and the results of research carried out on a regular basis by international organizations). All the variables grouped into 12 benchmarks that determine national competitiveness:

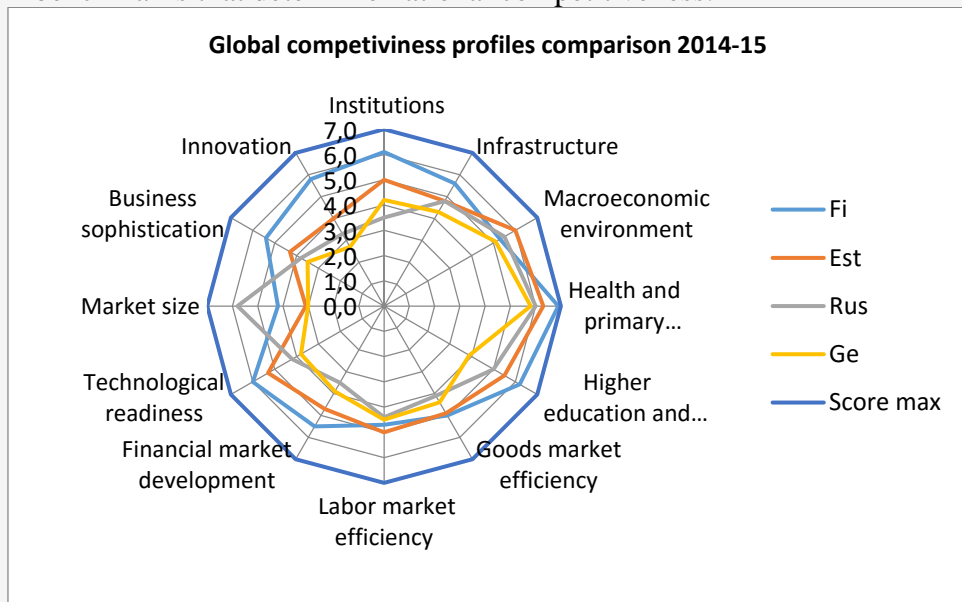


Figure 5 . Global competitiveness profiles comparison. Source: Global competitiveness Report 2014-15.WEF

Finland continues to exhibit a strong performance across all the analyzed dimensions, despite its drop of one place to 4th position. This decline is mainly driven by a slight deterioration of its macroeconomic conditions (43rd), which has led some rating agencies to downgrade the outlook of this Nordic economy. Finland's biggest competitiveness strength lies

in its capacity to innovate, where the country leads the world rankings (1st). Very high public and private investments in R&D (83rd), with very strong linkages between universities and industry (1st) coupled with an excellent education and training system (1st) and one of the highest levels of technological readiness (11th) drive this outstanding result.

Estonia remains the best performing country in Eastern Europe and improves by three places to reach 29th overall. Estonians labor market is also more efficient than most countries in the region (11th).

The Russian Federation is placed at 53rd position this year with some improvements related to the efficiency of goods markets (In particular domestic competition). ICT use, and business sophistication – although this arguably reflects some positive developments that took place before the Ukraine conflict started. At the time of writing, the Russian economy continues to face many deeply rooted challenges that will have to be addressed for the country to strengthen its competitiveness. Russia's weak and inefficient institutional framework (97th) remains its Achilles heel and will require a major overhaul in order to eradicate corruption and favoritism (92nd) and re-establish trust in the independence of the judiciary (109th). Diversification of the economy will need reinforcing the very small. SME sector as well as continued progress toward a stronger and more stable financial system (110th). These challenges prevent Russia from taking advantage of its competitiveness strengths, which are based on a well-educated population, fairly high levels of ICT use (47th), and its solid potential for innovation (65th). Going forward, the reverberations of the Ukraine conflict – such as sanctions and potential disruptions to the gas trade – could affect the country's competitiveness. These implications could be especially serious given the reliance of the education and innovation sectors on public funding, which will become more scarce than it has been in previous years and for accessing technology developed abroad.

Table 6. Subindex weights and income thresholds for stages of development

	STAGE OF DEVELOPMENT				
	<u>Stage 1 Factor driven</u>	<u>Transition from stage 1 to 2</u>	<u>Stage 2 Efficiency driven</u>	<u>Transition from stage 2 to 3</u>	<u>Stage 3 Innovation driven</u>
<u>GDP per capita (US\$), thresholds*</u>	<u>>2000</u>	<u>2000-2999</u>	<u>3000- 8999</u>	<u>9000-17000</u>	<u>>17000</u>
<u>Weight for basic requirements,%</u>	<u>60</u>	<u>40-60</u>	<u>40</u>	<u>20-40</u>	<u>20</u>
<u>Weight for efficiency enhancers,%</u>	<u>35</u>	<u>35-50</u>	<u>50</u>	<u>50</u>	<u>50</u>
<u>Weight for innovation and sophistication factors,%</u>	<u>5</u>	<u>5-10</u>	<u>10</u>	<u>10-30</u>	<u>30</u>
			<u>Georgia</u>	<u>Russia</u>	<u>Finland Estonia</u>

*For economies with a high dependency on mineral resources, GDP per capita is not the sole criterion for the determination of the stage of development

Table 7. Adjustment to the GCI scores by sustainability indicators

	<u>GCI 2014-2015</u>		<u>Social sustainability-adjusted GCI</u>		<u>Environmental sustainability-adjusted GCI</u>		<u>Sustainability – adjusted GCI</u>	
	<u>Rank</u>	<u>Value</u>	<u>Value</u>	<u>Direction</u>	<u>Value</u>	<u>Direction</u>	<u>Value</u>	<u>Direction</u>
<u>Switzerland</u>	<u>1</u>	<u>5.7</u>	<u>6.75</u>	<u>↑</u>	<u>6.84</u>	<u>↑</u>	<u>6.8</u>	<u>↑</u>
<u>USA</u>	<u>3</u>	<u>5.54</u>	<u>5.97</u>	<u>↗</u>	<u>5.24</u>	<u>↘</u>	<u>5.61</u>	<u>→</u>
<u>Finland</u>	<u>4</u>	<u>5.5</u>	<u>6.38</u>	<u>↑</u>	<u>5.08</u>	<u>↗</u>	<u>6.18</u>	<u>↗</u>
<u>Estonia</u>	<u>29</u>	<u>4.71</u>	<u>5.13</u>	<u>↗</u>	<u>4.71</u>	<u>≥</u>	<u>4.92</u>	<u>→</u>
<u>Russia</u>	<u>53</u>	<u>4.37</u>	<u>4.46</u>	<u>→</u>	<u>4.19</u>	<u>≥</u>	<u>4.33</u>	<u>→</u>
<u>Georgia</u>	<u>69</u>	<u>4.22</u>	<u>3.88</u>	<u>↘</u>	<u>4.1</u>	<u>≥</u>	<u>3.99</u>	<u>→</u>

Nordic countries continue to perform well overall and display specific areas of improvement. Finland, despite and inclusive social system and a track record of managing resources responsibility, has to address a rather high level of youth unemployment (approximately 19%), depleting fish stocks.

As it faces difficulties related to sustainability, especially in the environmental area, the Russian Federation attains an intermediate performance on both pillars again this year. In terms of social sustainability, the Russian Federation is still characterized by a relatively weak social safety net, high and increasing inequality, and limited social mobility. All these indicators have remained constant since the last assessment. In terms of environmental sustainability, regulations are still only weakly enforced and only 21% of the water withdrawn is treated. This low treatment rate could be a source of water stress in the future, although today Russia is endowed with one of the largest water reserves in the world. Emissions, especially CO₂ intensity, are also higher than international standards, and fish stocks are depleting. The country should better manage its natural capital to ensure prosperity in the long run.

Innovation and business development

Innovation and business development are estimated knowledge index (KI), economic indicator prepared by the World Bank Institute to measure the ability of the country in terms of the creation, adoption and dissemination of knowledge.

This index - the index of Knowledge Economy (KEI) allows for an enabling environment for knowledge, whether they are used effectively for economic development. It is a composite index that represents the overall level of development of the country or region in relation to the knowledge economy.

KEI is calculated based on the average of the normalized performance ratings of the country or region, based on the four pillars related to knowledge economy - economic incentive and institutional regime,

education and human resources, the innovation system and ICT. So the four pillars of the knowledge economy:

- Economic incentive Regime, which provides incentives for the efficient use of existing and new knowledge for the development of entrepreneurship;
- an educated and skilled population able to create, share and use knowledge;
- efficient innovation system of firms (Innovation and Education), research centers, universities, consultants and other organizations to tap into the expanding global knowledge base, the ability to assimilate and adapt it to local needs, and create new technology;
- Information and Communication Technologies (ICT) to facilitate the effective creation, dissemination and processing of information.

Of the 140 countries Knowledge economies Index Estonia, Finland, Russia, is given in Table 8

Table 8. Knowledge Economy Index, KEI

Country	Rang	KEI	KI	Economic incentive Regime	Innovation	Education	ICT
Sweden	-2000	9,65	9,73	9,42	9,72	9,67	9,79
	1(2014)	9,58	9,55	9,66	9,8	9,88	9,28
The best				9,66(Sing)	9,86(Switz)	9,81(NZ)	9,54(Bahr)
Finland	2(2000)	9,22	9,12	9,5	9,68	8,31	9,37
	3(2014)	9,33	9,22	9,65	9,66	8,77	9,22(6)
Estonia	19(2000)	8,15	8	8,57	7,17	8,61	8,22
	20(2014)	8,4	8,26	8,81	7,75	8,6	8,44(19)
Russia	53(2000)	5,28	6,53	1,54	6,18	7,8	5,6
	49(2014)	5,78	6,96	2,23	6,93	6,79	7,16(45)
Georgia	-2000	4,67	5,19	3,1	5,48	6,22	3,88
	65(2012)	5,19	4,49	7,28	5,15	4,61	3,72

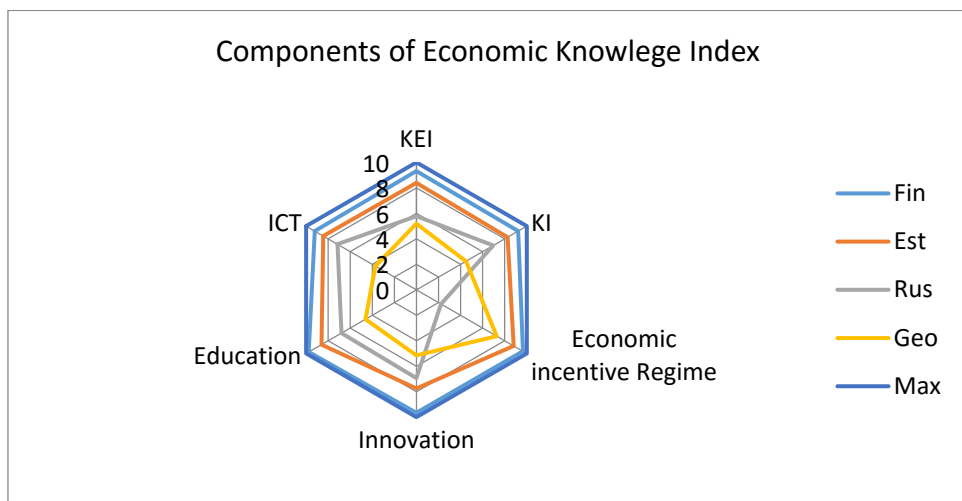


Figure 6. Economic knowledge index 2012 pillars. Source: World Data Atlas, www.knoema.com

Ease of doing business index - an index created by the World Bank (Table 9). Higher ratings (lower numerical value) indicates a higher (usually simpler rules for businesses) and the protection of property rights. Empirical research funded by the World Bank show that the effect of improving the rules on growth is strong.

Table 9. Ease of doing business, score and rating

	<u>Finland</u>	<u>Estonia</u>	<u>Russia</u>	<u>Georgia</u>	<u>Rang 1</u>	<u>Score</u>
<i>Ease of doing business index 2016</i>	<u>81,05</u>	<u>79,49(16)</u>	<u>70,99(54)</u>	<u>77,45(24)</u>	<u>Singapur</u>	<u>89</u>
<i>Standard & Poor kredit rating 2015</i>	<u>AAA</u>	<u>AAA</u>	<u>BB+</u>			

Index measures the ease of doing business decisions directly affect business and allows you to directly measure general conditions such as a country's proximity to large markets, quality of infrastructure, inflation, or crime rates. Rating is based on the nation's average of 10 sub-indices, which can be seen in Table 10 and Figure 7 displays the profiles of the countries on this index.

Table 10. Ranking, points and sub-indices of easi duing business	Estonia		Finland		Russia		Georgia	
	2015	2016	2015	2016	2015	2016	2015	2016
Ranking	17	16	10	10	54	51	24	24
Points	79,27	79,49	80,95	81,05	69,26	70,99	76,84	77,45
Starting a business	93,25	95,06	93,10	93,11	92,17	92,35	97,73	97,76
Dealing with construction permits	84,18	80,88	81,61	77,90	56,70	65,23	82,38	82,77
Getting electricity	80,27	83,25	85,29	88,97	60,89	84,22	72,89	76,15
Registring property	90,88	91,01	80,58	82,94	91,27	90,51	91,16	91,16
Getting credit	70,00	70,00	65,00	65,00	55,00	65,00	85,00	85,00
Protecting minority investors	58,33	55,00	55,83	56,67	50,83	56,67	68,33	68,33
Paying taxes	84,93	84,33	88,36	89,38	80,63	81,60	82,76	82,76
Trading across borders	92,76	94,89	89,10	92,44	53,58	37,39	75,31	75,31
Enforcing contracts	68,91	75,16	75,58	70,33	75,85	78,56	73,21	75,06
Resolving insolvency	64,92	65,28	93,85	93,81	49,69	58,39	39,60	40,24

Despite that Finland's total index has not changed, she fell in the rankings by one place, passing to other countries in the initiatives of the business and the loan. In Estonia, the main part of the undertaking in promoting the business.

Russia has advanced in terms of connecting to the electricity and access to credit. Very weak spot - international trade (sanctions), weak - obtaining building permits.

Georgia compared to the general level of economic development has a very high rating. On many items seen some progress.

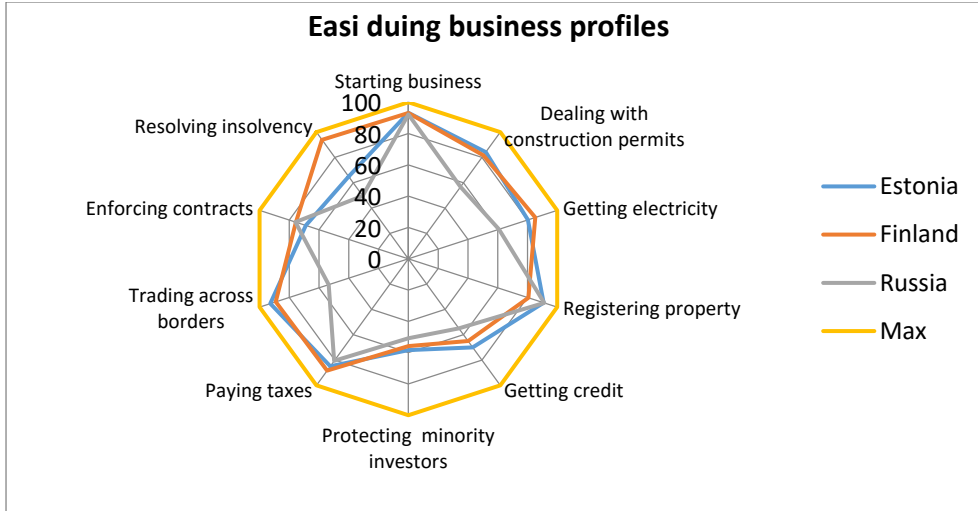


Figure 7. Easi duing business profiles. Source: Easi duing business 2015

Human development index

The **Human Development Index (HDI)** is a composite statistic of life expectancy, education, and per capita income indicators, which is used to rank countries into four tiers of human development.

Published on 4 November 2010 (and updated on 10 June 2011), starting with the 2010 Human Development Report the HDI combines three dimensions: HDI is calculated as the arithmetic mean of the three equally important components:

1. income as an indicator of the gross domestic product (gross regional product) in purchasing power parity (PPP) US dollars per capita;
2. education, literacy rates determined (with a weight of 2/3), and the proportion of students among children and youth aged 6 to 23 years old (with a weight of 1/3);
3. longevity determined by life expectancy at birth (life expectancy).

The countries are divided by the level of development in four groups: very high - an index of more than 0.8, a high - 0,5-0,8, medium and low levels of human development – below 0,5. These calculations are published in the annual country reports on human development.

Table 11. HDI trends 1980 - 2013

Rank	Country	1980	1990	2000	2005	2008	2010	2011	2012	2013	2014	Rank	Rank
1	Norway	0.793	0.841	0.910	0.935	0.937	0.939	0.941	0.943	0.944	0,944	1	1
24	Finland	0.752	0.792	0.841	0.869	0.878	0.877	0.879	0.879	0.879	0,883	24	24
30	Estonia	..	0.730	0.776	0.821	0.832	0.830	0.836	0.839	0.840	0,861	33	33
50	Russia	..	0.729	0.717	0.750	0.770	0.773	0.775	0.777	0.778	0,798	57	57
76	Georgia	.....	.....	.....	0,710	0,730	0,733	0,736	0,741	0,744	0,754	81	79

Table 12. Human development index UNO, 2014 (HDI).

Rank		HDI 2014	Life expectancy at birth	Mean years of schooling	Expected years of schooling	Gross NI per capita	HDI 2012
1	Norwegien	0,944	81,6	12,6	17,5	64992	0,943
24	Finland	0,883	80,8	10,3	17,1	38695	0,879
30	Estonia	0,861	76,8	12,5	16,5	25214	0,839
50	Russia	0,798	70,1	12,0	14,7	22352	0,777
76	Georgia	0,754	74,9	12,1	13,8	7164	0,741

Russian belongs to the group of countries with medium level of development. The coefficient does not exceed 0,7-0,8. In recent years, due to the increase in per capita GDP and the level of education of the Russian Federation HDI tends to rise. In 2014, Russia occupied 50th place among 177 countries, and keeps a place in Russia 2013. Inside RF highest HDI is observed in Moscow, St. Petersburg, in the Tyumen region, Bashkiria, Tatarstan, the lowest in Chechnya, Tuva. (Human Development Report in Russia for 2013)

As for Estonia and Finland, they are on the IPE in the category of countries with a very high level of development, the index above 0,8. At the same time Estonia has a per capita GDP is not significantly higher than the Russian Federation. Significant progress Estonia has in life expectancy, but the backlog from Finland is very significant. It is well known that Finland has a very high level of healthcare and education systems, taking in this part of the highest ratings in the world. In Estonia system of public health has done also very great progress considering the relationship between quality and costs (In Estonia 6% of GDP, in Finland, 8.9% in Russia, 6.2% in the US 17.9

Table 13.HDI main indicators 2013

	Finland	Estonia	Russia	Georgia	Rank 1
GDP per capita, thousand \$ PPP, World Factbook	35,9	22,4	18,1	7,3	Katar - 102
Life expectancy at birth, year					Japan
All	79,69	74,07	70,16	74,3	84,46
Female	83,29	79,61	76,3	77,8	87,99
Man	76,24	68,85	64,37	70,5	81,13
Level of literacy	high	high	high	high	

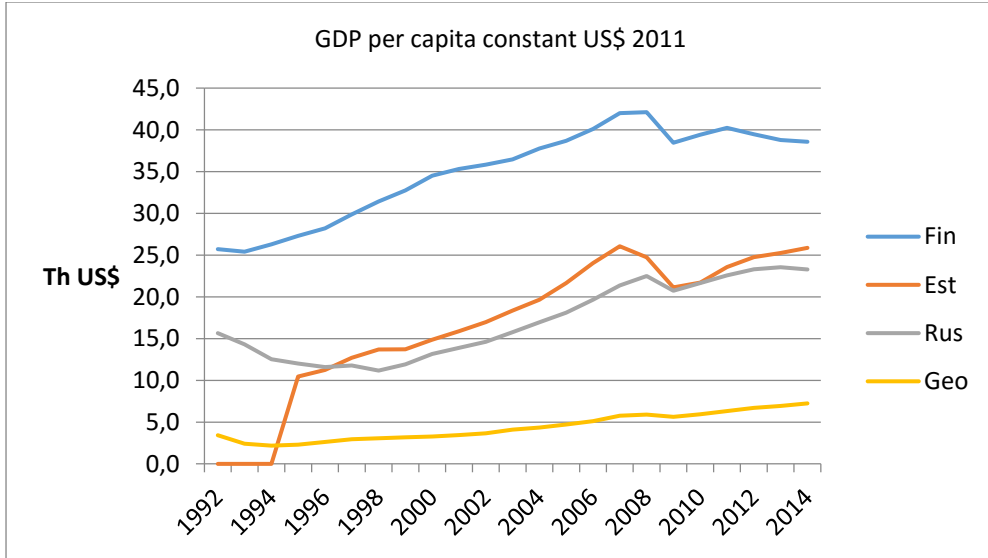


Figure 8. Changes in GDP per capita in US \$ 2011 Source: World Bank

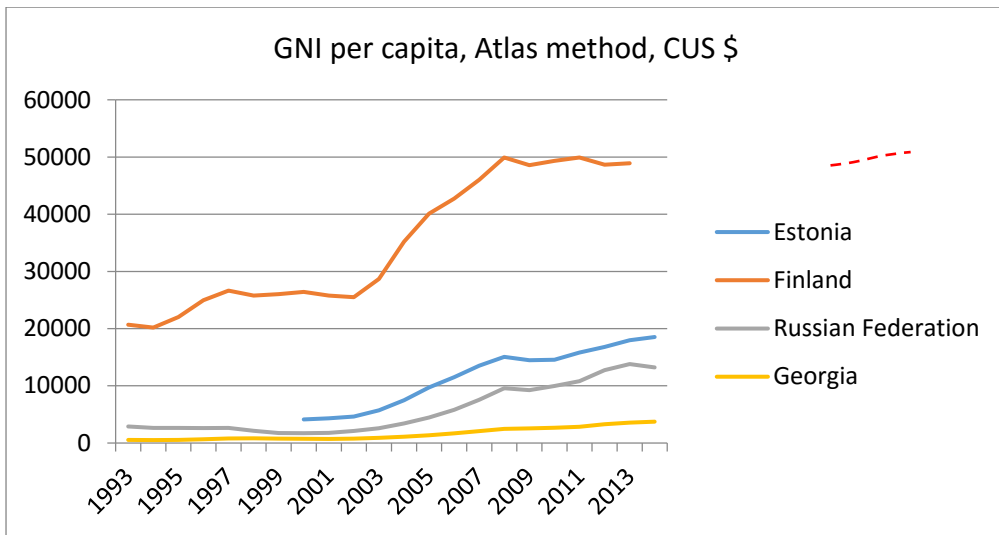


Figure 9. Changes in GNI per capita in current US \$, Atlas method. Source: World Bank

Sustainability of countries development. Achieving sustainable development - one of the most pressing challenges facing all countries in the world. The goal - to ensure economic growth while protecting the resource base and the environment. To assess the steady development in the use of indexes.

Table 14. Sustainability of countries development

	<u>Adjusted net savings</u>	<u>Ecological Footprint, ha per person</u>	<u>Environmental Performance Index</u>	<u>The share of fossil fuels, as % of total</u>	<u>The share of renewable energy sources, % of total</u>	<u>Carbon dioxide emissions per capita, tons</u>	<u>Urban pollution, mg / m³</u>	<u>Depletion of natural resources, % of GDP</u>	<u>Wooded areas % of the territory</u>	<u>Overall satisfaction with life, max 10</u>	<u>Satisfaction with environmental оп., % Удовлетворенность охраной</u>
<u>Finland</u>	<u>12,8</u>	<u>5,6</u>	<u>81,1</u>	<u>58,6</u>	<u>45,3</u>	<u>10,5</u>	<u>16</u>	<u>10,6</u>	<u>32,4</u>	<u>7,6</u>	<u>51,5</u>
<u>Estonia</u>	<u>14,4</u>	<u>7,9</u>	<u>63,8</u>	<u>88,3</u>	<u>12,0</u>	<u>13,6</u>	<u>13</u>	<u>0,7</u>	<u>52,6</u>	<u>5,1</u>	<u>45,2</u>
<u>Russia</u>	<u>-0,8</u>	<u>4,4</u>	<u>61,2</u>	<u>90,9</u>	<u>3,0</u>	<u>12,1</u>	<u>16</u>	<u>14,5</u>	<u>49,4</u>	<u>5,4</u>	<u>18,3</u>
<u>Georgia</u>											

Source: World Bank

A comparison of these indicators of sustainability allows analysts to talk about the meeting outcomes of reproduction - material and spiritual needs of the population.

Legatum prosperity index

National success is about more than just wealth. The Prosperity Index goes beyond GDP to measure countries' success against a broad set of metrics covering areas such as health, education, opportunity, social capital, personal freedom, and more.

The *Prosperity Index* is the only global index that measures national prosperity based on both wealth and wellbeing (objective *and* subjective data). The Index seeks to redefine the concept of national prosperity to include, as a matter of fundamental importance, factors such as democratic governance, entrepreneurial opportunity, and social cohesion.

The 2014 Legatum Prosperity Index is based on 89 different variables analysed across 142 nations around the world. Source data includes Gallup World Poll, World Development Indicators, International Telecommunication Union, Fragile States Index, Worldwide Governance Indicators, Freedom House, World Health Organisation, World Values Survey, Amnesty International, Centre for Systemic Peace. The 89 variables are grouped into 8 sub-indexes, which are averaged using equal weights. The 8 sub-indexes see in table 15:

Table 15 The Legatum prosperity index rankings 2015

Overall Rank	Country	Economy	Entrepreneurship & Opportunity	Governance	Education	Health	Safety & security	Personal Freedom
1	Norway	4	5	8	5	4	8	3
9	Finland	33	8	5	7	13	3	18
31	Estonia	35	26	23	39	40	36	61
58	Russia	55	42	106	29	42	91	111
80	Georgia	119	71	43	66	82	57	72

Sources: Legatum Institute

Table 16. Year-on year prosperity rankings 2009 -2015

Country	2009	2010	2011	2012	2013	2014	2015
Norway	1	1	1	1	1	1	1
Finland	4	3	7	7	8	8	9
Estonia	31	35	33	35	36	32	31
Russia	62	63	59	66	61	68	58
Georgia				93	84	80	80

Finland can be explained by a decrease in the rating period (9) of stagnation in the economy (33.positions), and the refugee crisis, the impact of such an indicator, such as personal freedom.

Estonia has come back to the ratings of the former (31) in the upper position. Distinctively pulls down the overall rating of poor position in regard to personal freedom (61).

Economic conditions in modern-day Russia are getting worse: falling oil prices have hit the country's economy hard (oil constitutes 50% of government revenue and 70% of exports); interest rates shot up at the end of 2014 (although they have since fallen somewhat); Russia's credit rating has been downgraded to 'junk' status; and the IMF has predicted that Russia could lose up to 9% of GDP due to the economic sanctions imposed by the US and EU. The combination of sanctions, falling oil prices, and lack of diversification has contributed to the present malaise. Between 2009 and 2014 the country saw declines in the Economy, Personal Freedom, and Social Capital sub-indices. Putin's Russia, the Index showed, was becoming increasingly less prosperous. And so it may come as a surprise-an enigma even-that Russia's performance in the 2015 Prosperity Index has seen a marked improvement since last year, rising in the global rankings by ten places. But the overall rankings don't reveal the whole story. Digging into the underlying data reveals more.

The country's strong performance has been driven by big improvements in the areas of Social Capital, Governance, and Personal Freedom. However, these improvements have been caused predominantly by dramatic increases in the subjective data – put simply, despite living in a

country in decline, the Russian people are responding to surveys more positively than they did in year 2014 (Legatum Institute).

Cost of Living Comparison

Below is a comparison of the cost of living and purchasing power of the country to the level of Estonia (100%), 12.2015

Table 17. Comparison of the cost of living

	Estonia	Finland	Russia	Georgia
Consumer prices,%	100	146	74	54
CP including Rent, %	100	156	86	59
Rent prices,%	100	198	138	81
Restaurant Prices, %	100	170	96	57
Groceries Prices,%	100	161	76	57
Local Purchasing Power,%	100	178	75	41
Average Monthly Disposable Salari, €	785	2189	511	187
Average Monthly Disposable Salari, %	100	279	65	24
Mortgage Interest Rate, % yearly	2,6	2,12	14,21	13
Mortgage Interest Rate, %	100	81,5	446,5	400,0
<i>Source: www.numbeo.com</i>				

Summary

For better visibility, and the expression of explicit data on differences ratings and some indicators of living standards are summarized in the table :

Table 18. A summary table of the main rankings and indicators

Indicator	Fin	Score Est	Score Rus	Score Geo	Score			
Economic Freedom Index	19	73,4	8	76,8	142	52,1	22	73,0
Human Capital Index , 2013	2	1,406	27	0,571	51	0,01	77	-
Human Capital Index , 2015	1	85,78	16	79,88	26	77,54		
Human Development Index, 2014	24	0,883	30	0,861	50	0,798	76	0,754
Global Competiviness Index, 2014-15	4	5,5	29	4,7	53	4,4	69	4,2
Knowledge Economy Index,	3	9,33	19	8,4	49	5,78	73	5,19
Ease of doing business Index, 2016	10	81,05	16	79,49	54	70,99	24	77,45
Legatum prosperity Index, 2015	9		35		55		119	
Local Purchasing Power, 12.2015, %	100		55,0		42,0		23,0	
AverageMonthly Disposable Salary, %	100		36,0		23,0		8,5	
Mortgage Interest Rate, %	100		122,0		446,0		400,0	

It is striking in Finland a high level, most indicators it belongs to the world's 10 highest levels among the countries, with the exception of HDI and EFI indicator of where Finland's ratings are, respectively, 24 and 19th.

Estonia has the honor for most of the indicators to be elected among the top 30, which is for young capitalist country is a very good achievement. In the beginning of the restoration of independence followed a liberal market

economy, carried out in an effective fiscal policy (the effective tax system and a balanced budget).

Russia has a success on all major ratings and rises to at most improved 50 country rating. Especially striking is the high rating (16) in terms of human capital year 2015 by age groups. In terms of economic freedom Russia is very limited, it belonged to the category of "mostly unfree" and rather high corruption countries, which greatly hinders the normal development. Georgia has moved significantly to liberalize the economy and business activity in the direction of making it easier. The high points of rest for ratings from achieving hinders economic backwardness and the resulting low standard of living.

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