No. 54 3 February 2009

russian analytical digest

www.res.ethz.ch www.laender-analysen.de

THE RUSSIAN ECONOMY IN CRISIS

DGO German Association for East European Studies | Research Centre for East European Studies, Bremen | CSS ETH Zurich Center for Security Studies, ETH Zurich

Analysis

Oil and the Economic Crisis in Russia

By Philip Hanson, London

Abstract

For better or worse, the Russian economy is heavily dependent on oil prices, particularly in terms of public finances, export revenue, and ability to purchase imports. The price of oil serves as an important signal for foreign capital, which has fled the country this year. An oil price in the $40 to $60 range would likely lead to the survival of economic Putinism, while a lower price would put much greater strain on the system, with unpredictable consequences.

Russia and the Global Economy

Russia is, these days, an open economy. It has therefore been severely affected by the global economic crisis.

VTB Bank Europe estimates from its surveys of purchasing managers that Russian GDP fell in December, and in the whole of the last quarter of 2008 grew by only 2 percent year-on-year. The Ministry of Economic Development (MinEkon) recently produced revised projections on which to base revisions of the 2009 budget. They include an average ruble-dollar exchange rate of R35.1 = $1, an average Urals oil price of $41/barrel and a federal budget deficit of 6–8 percent of GDP. Output (GDP) is projected to be flat or slightly up: 0–2 percent. The Troika Dialog investment bank projects an optimistic +3 percent or a pessimistic -4 percent for the change in GDP.

Nobody really knows what will happen. All we can be sure of is that there will be a dramatic change. Russia has had a nine-year period of 7 percent annual-average GDP growth, and an even faster growth of real incomes. That boom has ended.

There are four features that characterize Russia's involvement in the global turmoil, and two of them are related to oil.

- Credit sources have dried up, and Russian companies had borrowed heavily – and mostly rather short-term – abroad.
- Investors have fled from emerging markets, and developments in Russia in the spring and summer of 2008 had guaranteed that Moscow would be no exception; the TNK-BP and Mechel affairs and the conflict in Georgia all added to worries about the business environment in Russia.
- The fall in the price of Russian (Urals) oil from a monthly average of $130.8/barrel at the peak in July 2008, to around $45/b in December, hit the Russian public finances, export revenues and the terms of trade hard.
- Investors – and portfolio investors in particular – both Russian and foreign probably amplified the direct effect of the oil-price fall on the Russian economy. They saw falling oil prices as a signal to get out of Russian assets, whatever might be happening to emerging markets as a whole.

In short, the oil price is of critical importance. I will take the last two, oil-related, points in turn and then offer some thoughts about prospects. Those thoughts are even more tentative than they would normally be. We live, in the words of Evgenii Gavrilenkov, in non-linear times.

The Direct Effect of Falling Oil Prices

Any significant fall in world oil prices reduces, other things equal, the value of Russian exports. It also cuts government revenue. In 2008, according to estimates of the Ministry of Finance's Economic Expert Group, oil and gas revenues accounted for half of all federal budget revenue. And while a change in prices, export or otherwise, has no direct bearing on real GDP, any substantial drop in oil prices will worsen Russia's terms of trade with the rest of the world. That means that the real value of personal incomes, retained profits and government revenue – gross national income – will fall relative to the country's real output.

So far as exports are concerned, oil and gas have in recent times provided between three-fifth and two-thirds of Russia's merchandise export earnings. Most of Russia's gas exports are sold on long-term contracts with a pricing formula that links the gas price to be paid to oil products prices, with a lag of about six months. Gas prices received have not begun to fall at the time of writing, but they soon will. One estimate is that if oil remained for a year at $50/barrel, Russia's total export earnings would be about a half of recent levels. The preliminary figure for total exports in 2008 is about $469bn. That is for a year over which Urals oil averaged about $95/b. Troika Dialog's low and high export projections for 2009 are $180bn and $300bn.

Russia's public finances are now suffering. Moscow entered the crisis with, famously, eight years of budget surpluses behind it, and the world's third-largest gold and foreign exchange reserves. The federal budget will still register a surplus for 2008, but that surplus is dwindling. The budget will be in deficit in 2009. The oil and gas revenues come from a natural-resource extraction tax, profits taxes on oil and gas companies and – the largest single component – export duties. A precipitous fall in the export price wreaks havoc with these arrangements. The export duty on crude oil had been set on the basis of actual prices two months earlier, then that was shortened to a month, and still the companies are in trouble.

The export duty on crude oil was cut from $485.80 a ton in September to $192.10 in December. The December rate of duty works out at $26.30 a barrel. With the natural resource extraction tax at about $7.70 a barrel and with operating and transport costs as estimated by MinEkon, the average Russian producer stood in December to make a loss of about $9 on every barrel of oil exported at a price of $44.

Thus there has been an inexorable downward pressure on rates of export duty on oil, if only to preserve some incentive to export. Tax revenues therefore fall. To make matters worse, Russian oil and gas production and export volumes have been stagnating or declining, a development that pre-dates the fall of the oil price.

On the expenditure side, the Russian state seeks to maintain its previously-planned levels of spending in 2009. This will be done by drawing on the reserves built up in the Reserve Fund, basically from high oil (and latterly also gas) revenues, and by domestic borrowing. At the beginning of 2009 the Reserve Fund stood at $137.1bn. That makes it, at December exchange rates, equivalent to about two fifths of the federal budget revenue originally planned for 2008 and about a third of the 2009 budget revenue as planned in November last year. In other words, the Reserve Fund does indeed provide a substantial budgetary cushion.

It needs to be remembered, however, that the Reserve Fund, along with the smaller Fund of National Prosperity (intended more as a long-term sovereign wealth fund), officially forms part of the gold and foreign exchange reserves, and those reserves have been falling. They fell from a peak of $598bn on 8 August to $427bn on 9 January 2009. The diversion of some of the Fund of National Prosperity to domestic bailout packages, while the Reserve Fund is drawn down to support budget spending, looks likely to leave Russia with public finances that are far less robust than they were only a month ago. It is not surprising that the ruble has been falling. Nor is it surprising that the rating agency Standard & Poor's on 9 December reduced Russia's sovereign foreign-exchange credit rating from BBB+ to BBB, and classified the outlook as 'negative'.

In sum, Russian public finances remain healthier than those of most other countries, but they are weakening, and the future prospects for the Russian treasury depend overwhelmingly on the price of oil.

The impact on Russian terms of trade and incomes can be briefly stated. When oil, gas and metals prices on world markets were rising relatively to other prices, Russian production was gaining increased purchasing power over imports – which rose steeply. Real gross domestic income (GDI) and real personal incomes consequently rose faster than GDP. With oil prices falling, this relationship, so far as Russia is concerned, goes into reverse. The sum of personal disposable income, retained profits and government revenue must, in real terms, be falling more, or rising less, than GDP. The outlook for personal real incomes is therefore modest at best, in comparison with the recent past.

Foreign Capital Flows and the Price of Oil

Private capital flows in and out of Russia are driven by a variety of factors, of which the price of oil appears to be one. This is not primarily to do with investment in hydrocarbons; it is more to do with general investor sentiment about Russia. Much of the foreign capital entering Russia is footloose, and readily able and disposed to leave the country when danger signals flash. In 2008 as a whole the Russian stock-market, measured by the RTS dollar-terms index from end-2007 to end-2008, fell by 66.6 percent. This was worse than the Morgan Stanley index for emerging markets as a whole (down by 55.2 percent) and worse than the performance in any other market except China, where the SSEB dollar-terms index was down 71.5 percent.

There are structural reasons for this. The market capitalization of Russian companies is highly sensitive to the sentiments of foreign portfolio investment, because so many large Russian companies have a dominant main owner and the volume of trade in shares is modest. Furthermore, Russian domestic arrangements for long-term credit, combined with the closed character of most Russian corporate ownership, has meant that much of the inflow of external finance has been in the form of lending and, to a lesser extent, portfolio investment.

Much foreign borrowing by Russian banks and corporations in recent years has been based directly or indirectly on an expectation of continued high natural-resource prices. Even for companies that were not in the oil, gas, coal or metals industries, the operating assumption, both inside Russia and abroad, had been that the good times would continue. Russian growth might slow somewhat, but the oil price would probably stay high, so would Russian share prices, and the ruble would remain strong. Borrowing to finance acquisitions might use either the acquired assets or a portion of future oil or other resource-export earnings as collateral.

In fact, the market value of most Russian corporate assets fell from May onwards, precipitously; the oil price fell from July, and many big Russian companies faced margin calls on their loans.

In one way or another, therefore, the Russian economy's dependence on natural resource exports in general, and oil in particular, turned from a strength to a weakness.

Prospects: Oil Prices and Radical Change

At some point the Russian economy will begin to recover from the recession or slowdown it has now entered. For that to happen, there probably will have to be a more general recovery under way around the world. That in turn would entail at some stage a stabilization and then an increase in the oil price. Nobody can say with any confidence when that will happen. But perhaps two scenarios can help organize our thoughts about the future.

A reasonably optimistic scenario for the present Russian leadership would be one in which the oil price flattens out during 2009 somewhere in the $40–60/b range, at which planned levels of public spending are sustainable, and ceases to be highly volatile. In this situation, there should be an increase in investor confidence in Russia, once fears of further oil-price falls recede. The period of reduced oil-sector profit and increased uncertainty will have led to some postponement of investment projects in oil and gas around the world. That in turn restricts any quick recovery of hydrocarbons output, and will tend to push prices back up in 2010.

In this scenario economic Putinism – a reliance on oil-fuelled growth and top-down state management of the hydrocarbons and high-tech sectors – has a good chance of surviving. The leadership will have had a bit of a shock, but can probably return to its comfortable belief that it can have both detailed, corrupt, economic control and growth at the same time.

A less happy scenario – for the present leadership, and in the short run for everybody – is one in which uncertainty and economic weakness around the world last somewhat longer. In this scenario, the oil price during 2009 is around $30/b or is perhaps on average rather higher but with continuing volatility. Then elite confidence in the Putinist economic model is more severely dented, and at the same time popular support for the leadership comes under greater strain, perhaps with continuing unrest eliciting heavy-handed repression.

How that second scenario might play out over two or three years is unknowable. I suggest, however, that the global economic crisis will not deliver a turn to economic and political liberalism in Russia on soft terms. At worst, elite fears of social unrest may lead to more oppressive political control. Even at best, radical reform would probably come only after extensive and prolonged economic distress – not something one would lightly wish on any nation.

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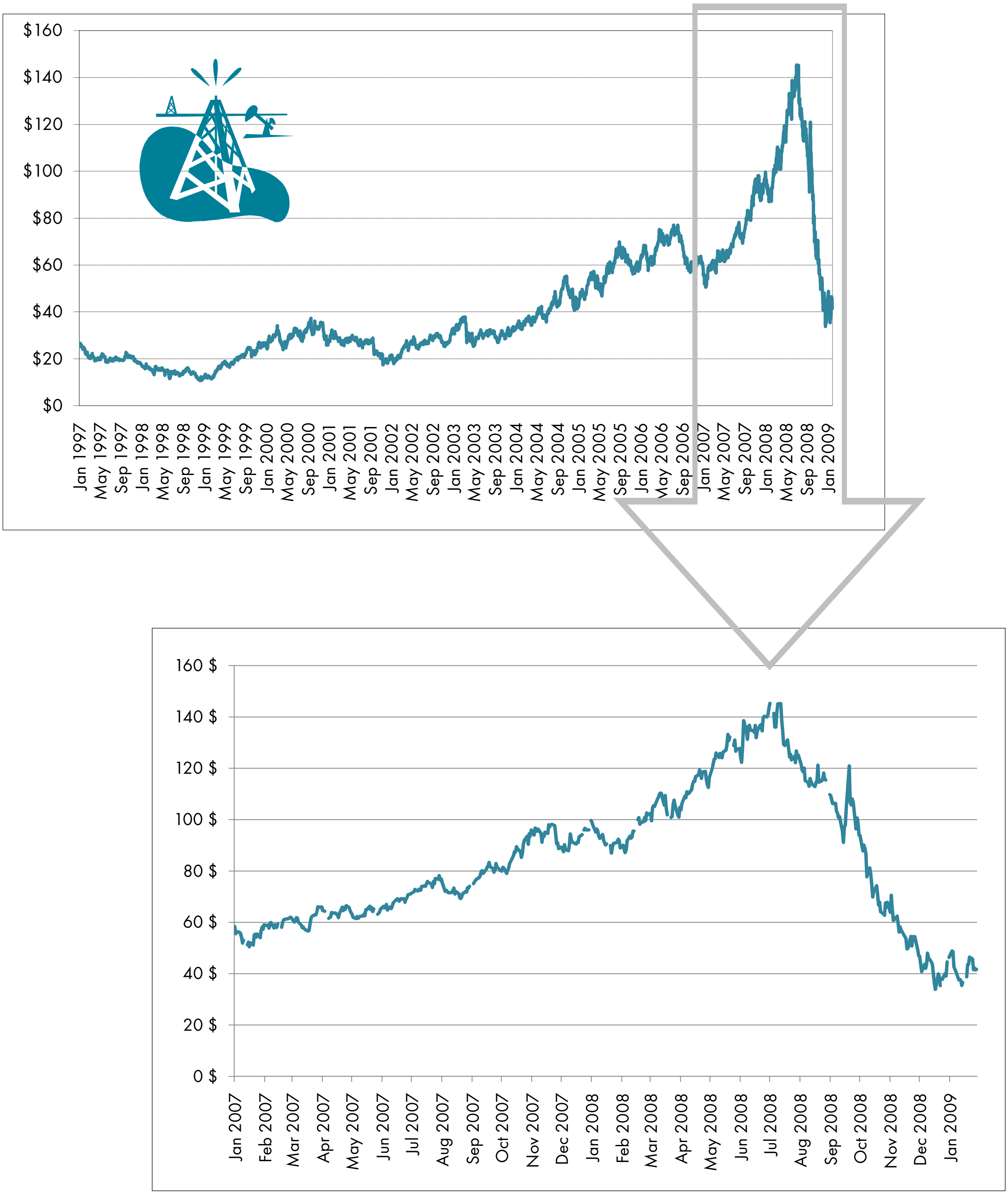
Professor Philip Hanson is an Associate Fellow in the Russia and Eurasia Programme at The Royal Institute of International Affairs (Chatham House) in London.

Diagrams

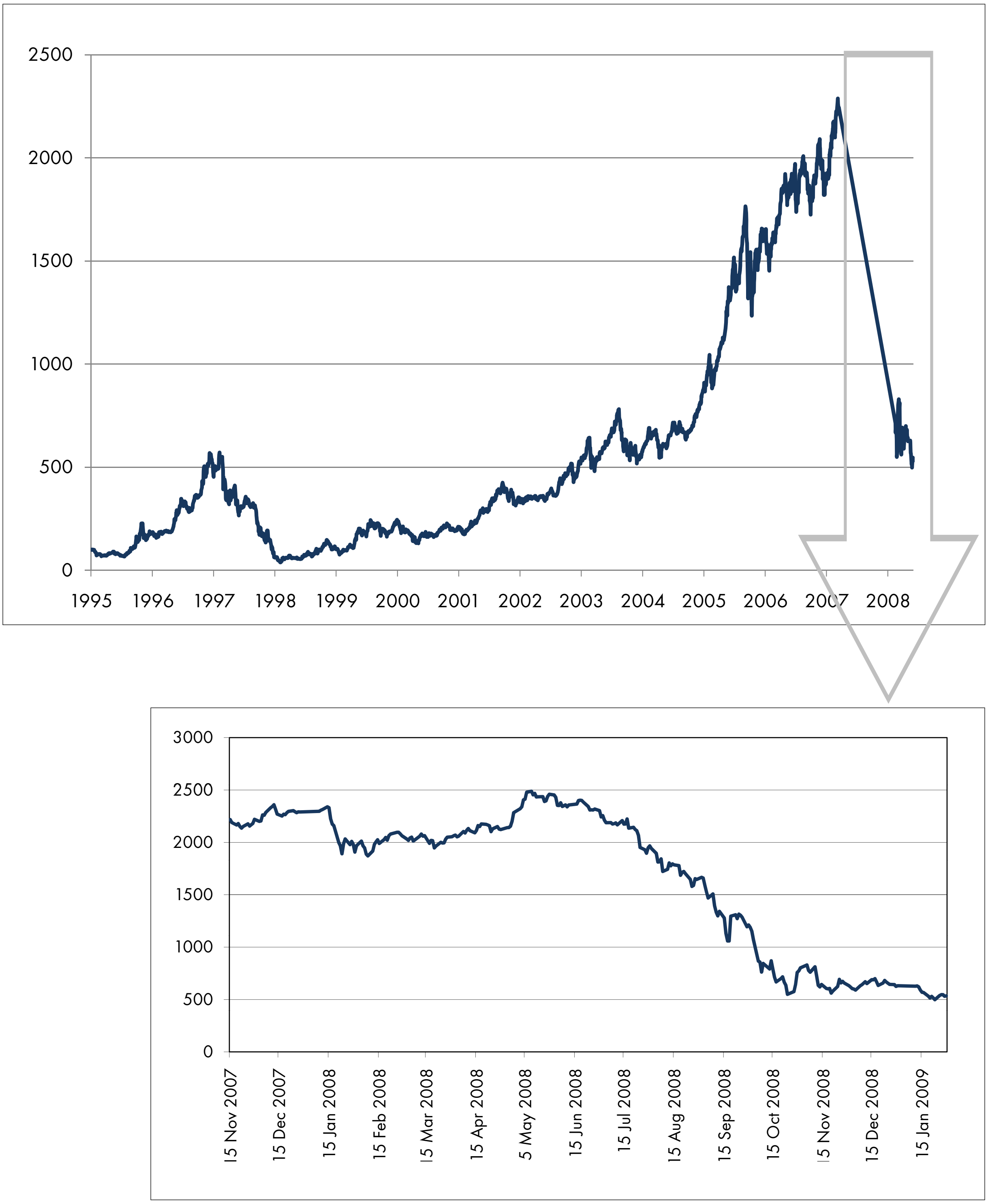
Oil Price and RTS Index

Diagram 1: Crude Oil Price 1997– January 2009 (US dollars, NYMEX Light Sweet Crude, Contract 1)



Source: http://www.eia.doe.gov/emeu/international/prices.html#Crude, *16 October 2008; Source: Reuters News Service as reported in EIA, Weekly Petroleum Status Report, Table 16*

Diagram 2: RTS Stock Exchange Index November 2007 – January 2009



Source: http://www.rts.ru/ru/index/stat/dailyhistory.html?code=RTSI

Analysis

Memories about the Future: The Second Edition of the 1998 Crisis

By Vladimir Popov, Moscow

Abstract

By not devaluing its currency, Russia is repeating the mistakes it made in 1998, thereby deepening and lengthening the current economic crisis. Today the Central Bank and the government are supporting the ruble even though it is driving down domestic production. A wiser policy would be to devalue the ruble as soon as possible to stimulate output.

A New Cycle of Crisis

"Hegel once noted that history repeats itself twice. He forgot to add – the first time in the form of tragedy, and the next time as a farce…" Karl Marx, Eighteenth Brumaire of Louis Bonaparte

We forget everything and learn nothing. The Central Bank has done it again. For a second time, Russia is stepping on the same rake. Just as in 1998, the government is first pushing the economy into a recession, taking a hit in the form of a drop in production, and only then, "forced by circumstances," will it devalue the ruble sufficiently to restore growth.

Crisis, As Was Predicted

Russia has already entered an economic crisis – it reached maximum industrial production in June and production has dropped consistently since then (see Figure 1). The reason is not so much the global economic crisis or even the drop in energy prices, but the government's and central bank's stubborn refusal to devalue the ruble.

From June 2008 to the end of January 2009, the ruble fell in relation to the dollar from 23 rubles/dollar to 35 and from 37 rubles/euro to 45, setting new records – the ruble has never before been so cheap. But even this partial devaluation was not sufficient to stop the contraction in reserves and money supply, the growth of interest rates and the drop in production.

The ruble exchange rate was greatly inflated even during the era of high oil and gas prices, which lasted until August. Many economists then understood that the economy was sick with the "Dutch Disease." They knew that Russia could not support such a strong ruble if energy prices simply stopped increasing, to say nothing of what would happen if they fell. The nominal exchange rate from the end of 1998, although it fluctuated, ultimately changed insignificantly, at the same time that Russian prices from 1999 to 2008 grew annually on average almost 16 percent and increased by the end of 2008 more than four times, while prices in the US and the euro zone increased only 2–3 percent annually. Thus the real ruble exchange rate, namely the ratio of Russian domestic prices translated into dollars or euros by the official exchange rate to American or European prices, increased almost three times (see Figure 2).

Obviously, in such conditions, domestically produced goods were no longer competitive and imports grew rapidly. The value of overall exports rose extremely quickly (thanks to the high and growing price for oil and gas), more quickly than the value of overall imports, but the growth of the overall physical volume of exports was much smaller than the growth of the volume of imports, which expanded between 1999 and 2007 more than five times (see Figure 3).

To repeat, even if the prices for oil and gas remained at a very high level, but simply stopped growing (after all, they can't keep going up forever), it would be impossible to maintain the ruble exchange rate in long-term perspective. Russian inflation is higher than in the West, and therefore simply to maintain the competitiveness of Russian goods, Russia must constantly devalue the ruble – on average, by the amount that Russian inflation exceeds Western inflation. If this is not done, trouble will ensue – the trade balance, and subsequently the balance of capital flows, will run a deficit, and after a more or less quick exhaustion of hard currency reserves, Russia will still have to devalue the ruble.

With the drop in prices of Russia's chief exports – oil and gas – and the massive outflow of capital, devaluation understandably should happen even more quickly. The sooner, the better because the drop in hard currency reserves causes panic, which leads to an even greater contraction of the reserves. For the last six months – from the beginning of August 2008 to January 23, 2009 – the reserves have dropped by more than a third, from $598 billion to $386.5 billion. At the current rate of withdrawals, they should last approximately one year, but most likely, they will not even last that long because, in expectation of a devaluation, people are increasingly quickly transferring all of their ruble holdings into hard currencies.

Supporting the ruble at any price, even though it exerts downward pressure on production, seems to be the main goal of the Central Bank and the government. Even though the economy is already in crisis, monetary policy in recent months became even more tight in order to stem the outflow of capital and support the ruble exchange rate: the tempo of growth for the money supply not only slowed, but went negative (see Figure 4), and interest rates grew for this reason (see Figure 5). In other words, precisely because of the limited growth of the money supply and the increased interest rates, the economy entered crisis beginning in July 2008. Producers found themselves between a rock and a hard place: on one hand they faced the pressure of competition from foreign goods thanks to the strong ruble, on the other, pressing monetary restrictions and the growth of interest rates. In the second half of 2008, Russia was one of just a few countries in the world where the money supply shrunk and interest rates grew. Supporting the ruble exchange rate turned out to be more important than supporting production.

The Same Thing Happened in Argentina, and More Recently, in Russia

How similar this all is to the Russian crisis of 1998! Then the government and Central Bank with great doggedness supported the ruble from devaluation through monetarist restrictions: the amount of money in circulation stopped growing from the end of 1997 and the returns on GKOs (short-term government bonds) jumped to over 100 percent.

Then in 1998, thanks to the monetary restrictions and the strong ruble, production began to drop without a world crisis or a drop in oil prices. In effect, the tight monetary policy designed to save the ruble and stem the outflow of capital manufactured recession. Ultimately, the Central Bank did not succeed in supporting the ruble, even at the cost of a 15 percent decline in production from December 1997 through September 1998 (see Figure 1). Was it worth it to try?

These events are similar to Argentina's crisis in 1999–2002. The Argentines also supported their currency (1 peso=1 dollar) in the framework of a currency board regime and faced an outflow of capital. This should have reduced reserves and the money supply and should have led to lower prices in order to increase exports, reduce imports, and correct the balance of payments. They waited for this automatic mechanism to kick in: the outflow of capital – reduced reserves – reduced money supply – increased interest rates and lower domestic prices – improved trade balance and an inflow of capital. They waited three years with clenched teeth and suffered through a drop in production of 20 percent (see Figure 6). Ultimately, however, they did not get what they had hoped for since the mechanism did not work: inflation dropped to zero, but this was not enough to restore the competitiveness of Argentine goods; interest rates grew, but not enough to stop the outflow of capital. They could have waited longer, but the reduction of the money supply led not only to lower prices, but to a 20 percent decrease in production – waiting while prices dropped low enough to level the balance of payments during a continuing drop in output was not possible, so the government collapsed along with the currency board and exchange rate.

In contrast to Russia and Argentina, where the drop in production (until September 1998 in Russia and until the beginning of 2002 in Argentina) basically preceded devaluation, in East Asia, the drop in production took place after the devaluation of the national currency, which confirms the argument here. The problem in the Russian and Argentine crises was the strong national currency and the symptom was the reduced rate of growth in exports and production while imports were growing and the trade balance was worsening, leading to the cure of devaluation, after which production started to grow. The problem in the Asian crises of 1997 was the excessive expansion of private debt without a strengthening of the exchange rate of the local currencies: while credits and debts expanded, production grew, but the crash of the credit system hurt production more than the on-going devaluation of the currency stimulated it.

Those events are similar to what is happening today in Latvia, Lithuania, Estonia, Bulgaria, and Bosnia which have currency boards instead of the central bank (currency boards are not allowed to purchase government bonds, so the money supply is always equal to the amount of foreign exchange reserves) and support a fixed exchange rate in relation to the euro. Latvia, which formally does not maintain a currency board, but supports a fixed exchange rate of the lat to the special drawing rights (SDR) since 1994 and to the euro since 2004, has already experienced the greatest drop in production: from GDP growth rates of 11–12 percent in 2006–7 to a drop of 4 percent in the third quarter of 2008. And all because Latvia, with a deficit balance in its current accounts of more than 20 percent of GDP in 2006–7 did not want to devalue its national currency when it confronted an outflow of capital in 2008.

The country's reserves shrunk from $6.6 billion in May 2008 to $3.4 billion in November, and the amount of money in circulation fell 10 percent.

Paul Krugman, the winner of the 2008 Nobel Prize in economics, compared Latvia and Argentina in a December 23 *New York Times* blog entry: "This looks like events repeating themselves, the first time as tragedy, the second time as another tragedy."

The consequences of the various reactions of the east European countries to the outflow of capital in 1998–9 after the East Asian currency crises are also extremely instructive. The countries that devalued their currencies in order to restore an equilibrium of the balance of payments experienced a smaller drop in the rate of growth than the countries that supported a strong domestic currency (the Baltic republics, Slovakia, and the Czech Republic). The general reason is that prices of goods and services are not as flexible as the exchange rate: it is easier to restore lost competitiveness by reducing the exchange rate than by reducing prices (or slowing their rate of growth). Theoretically, the automatic mechanism described above should work (outflow of capital – reduced reserves – reduced money supply – increased interest rates and reduced domestic prices – improved balance of trade and an inflow of capital), however in practice, it works slowly and a side effect is a significant reduction in production.

Between Bad and Worse

There are no good policy choices today, so decision makers must pick between bad and worse. Russia's policy makers let slip the opportunity to make good policy at the beginning of the current decade, when it was still possible not to allow the strengthening of the ruble, either by more quickly accumulating hard currency reserves or by purposefully stimulating imports of equipment to restructure the existing economy. Today it will not be possible to avoid losses.

The best option is to devalue the ruble as quickly as possible. This step will lead to a reduction of real incomes and consumption (like the August 1998 devaluation) but at least will make it possible to stop the drop in production. It will be necessary to help the banks and the non-financial companies which have accumulated large foreign debts, since devaluation will increase their costs in servicing this debt. While Russia's reserves are still significant, it is possible to help the hard currency debtors.

It will be worse if the devaluation is postponed. Domestic production will fall, as in 1998, imports will be high, the trade balance will drop into deficit, capital will flow out, which will deplete in several months the hard currency reserves built up during the last ten years. The end result will again be devaluation. Consumption will likewise then drop, not immediately, but only after the drop in production.

The Central Bank from August to December 2008 reduced the exchange rate by one ruble a month, and since the middle of December quickened the pace to one ruble a week. But even this partial devaluation was not sufficient, since the money supply continues to fall and interest rates keep rising. The result is that Russia will be artificially deepening and lengthening the crisis, as in 1998, and then some time in the middle of 2009, will end up with an exchange rate which will reduce real incomes and consumption and bankrupt hard currency debtors anyway.

Only a sharp rise in hydrocarbon prices can change the outlined scenario. Every analyst has a strong opinion about where oil prices will be next year, in five years, and in ten years. However, as past experience has demonstrated, no one has figured out how to accurately predict oil prices. We only know that in the last 140 years, this price on average was slightly more than $20 a barrel (in constant 2006 prices) and only in fewer than 30 years of the last 140 (1869–1876, 1973–1985, and 1999–2008) did the price rise above the average level. In any case, betting on "luck" in state policy is not prudent.

It is already clear that even the seemingly large hard currency reserves are insufficient to survive one more year of low prices for oil and gas. Accordingly, it is necessary to pick between the bad and the worse. Either devaluation without a recession (thereby curtailing consumption, but avoiding a drop in production), or first a recession and then devaluation.

About the author
Vladimir Popov is a professor at the Russian Economic School in Moscow.

Diagrams

Economic and Social Indicators

Figure 1: Monthly Indexes of Industrial Production, Adjusted, with Seasonal and Calendar Corrections

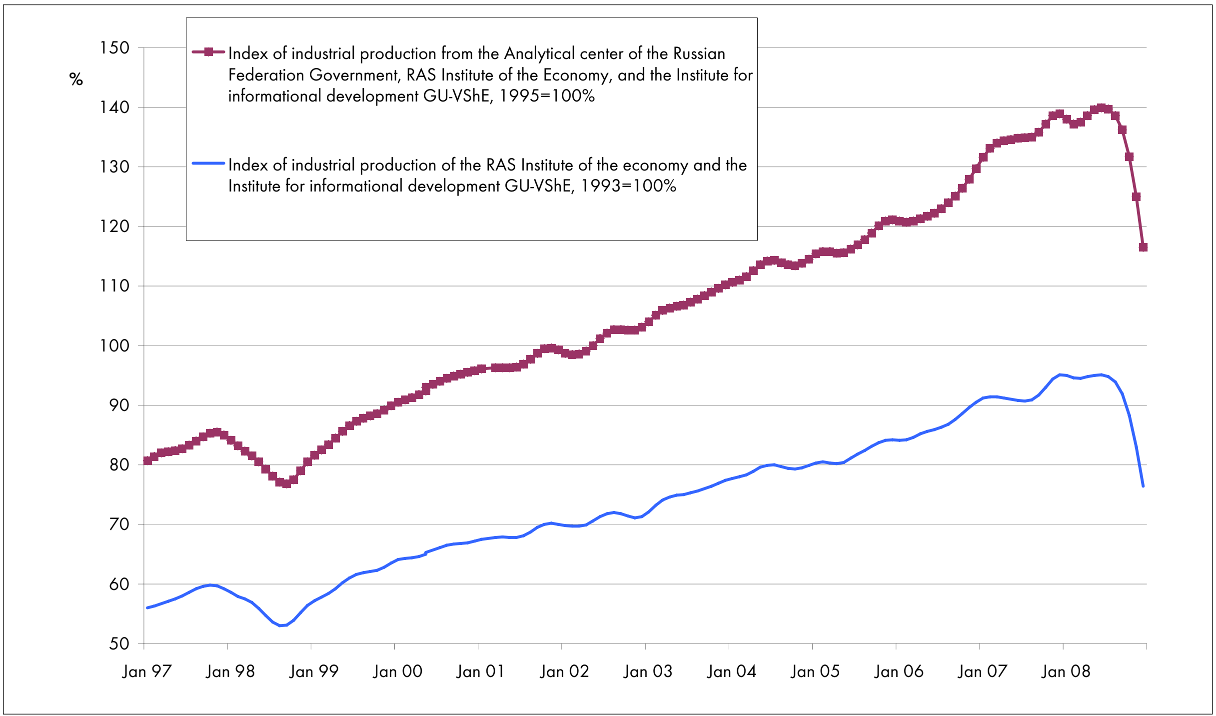


Figure 2: Hard Currency Reserves (Billions of Dollars – Right Logarithmic Scale) and Real Effective Exchange Rate of the Russian Ruble (December 1995 = 100%, Left Scale)

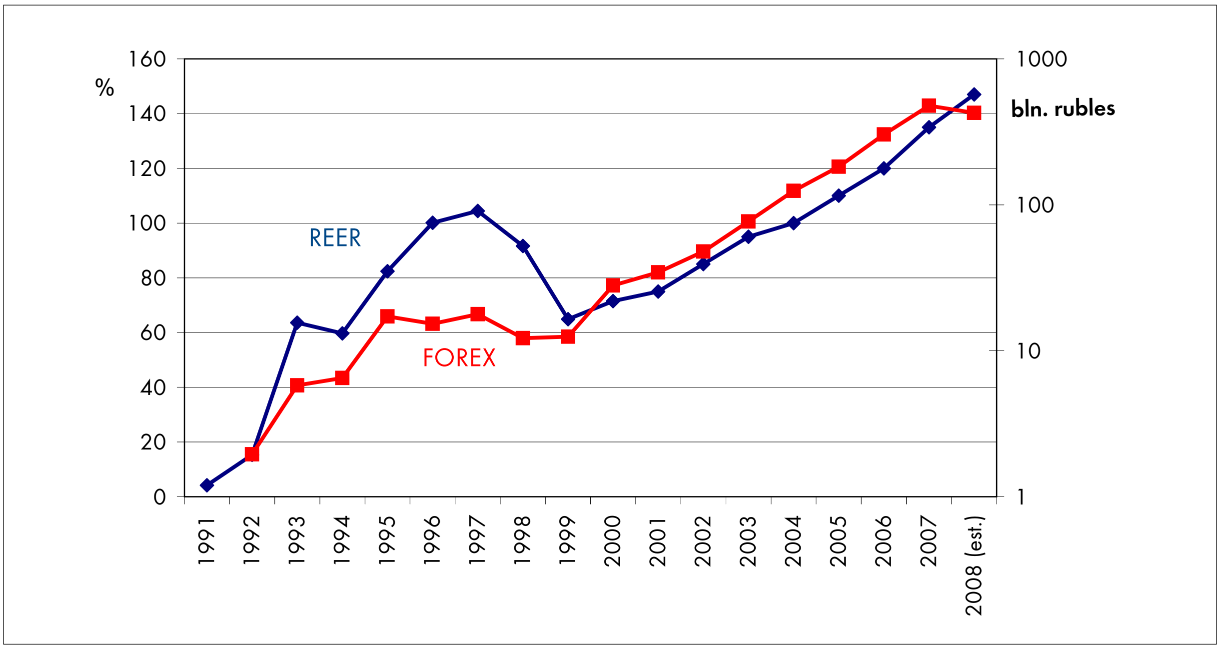


Figure 3: Dynamics of Real Exports and Imports

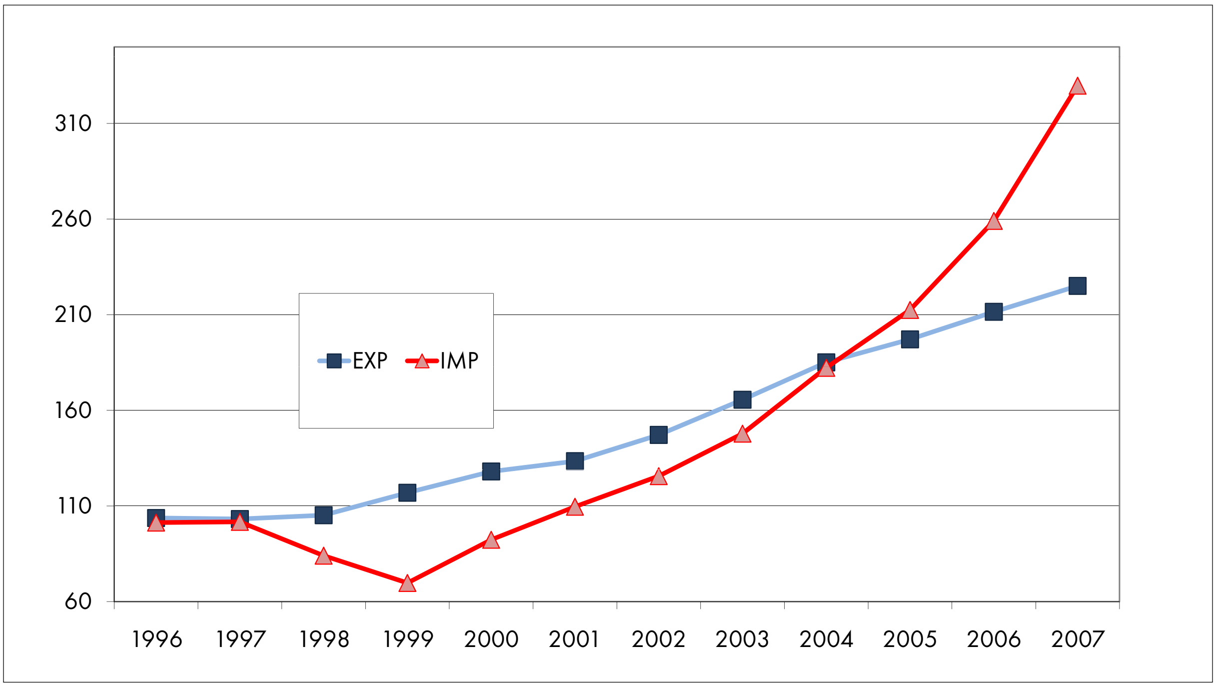


Figure 4: Money Supply Before the 2009 Currency Crisis, Billions Of Rubles

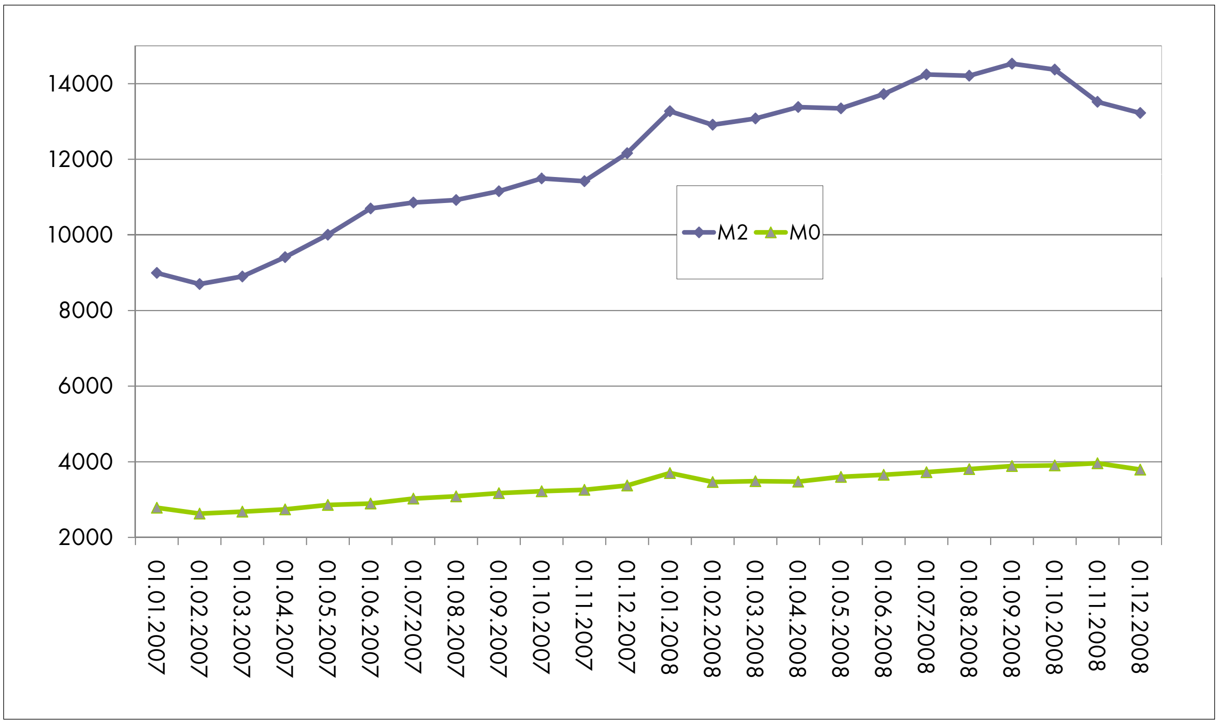


Figure 5: Interest Rates in 2008, %

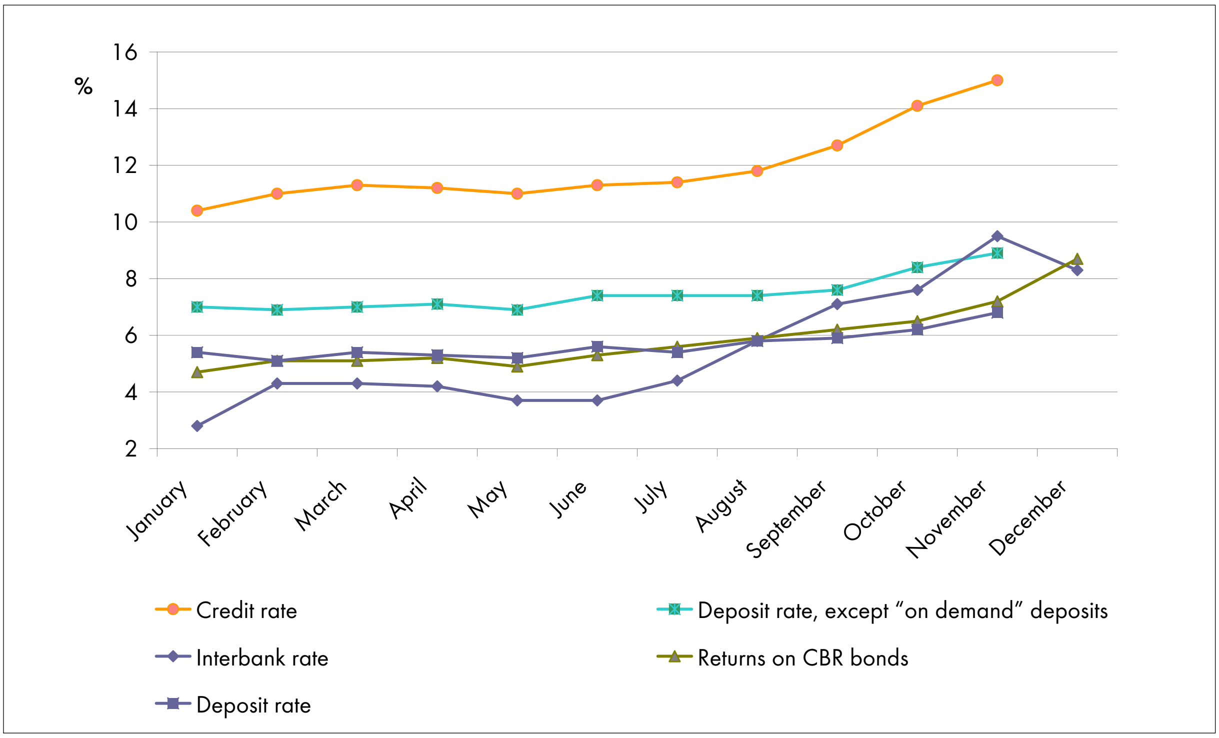
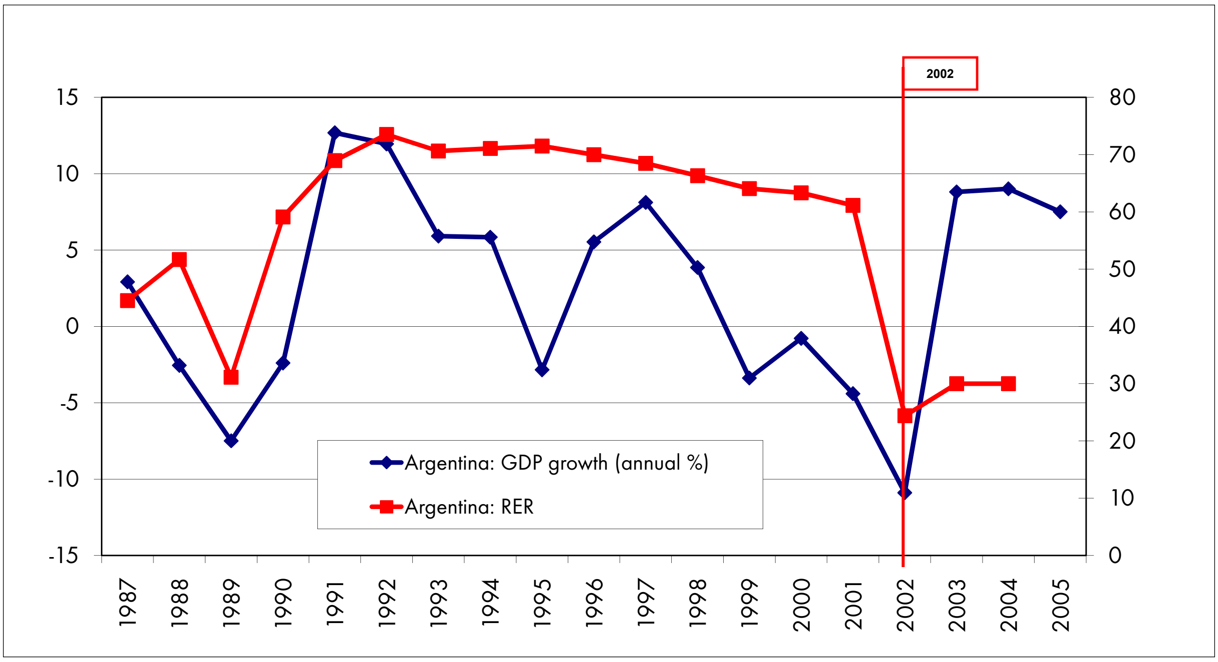


Figure 6: For Comparison: Argentina – GDP Growth Rates (Left Scale) and Real US-Dollar Exchange Rate (Right Scale), 1995=100%



Diagrams on pp. 10 –12 compiled by Vladimir Popov.

About the Russian Analytical Digest

Editors: Matthias Neumann, Robert Orttung, Jeronim Perović, Heiko Pleines, Hans-Henning Schröder

The Russian Analytical Digest is a bi-weekly internet publication jointly produced by the Research Centre for East European Studies [Forschungsstelle Osteuropa] at the University of Bremen (www.forschungsstelle.uni-bremen.de) and the Center for Security Studies (CSS) at the Swiss Federal Institute of Technology Zurich (ETH Zurich). It is supported by the German Association for East European Studies (DGO). The Digest draws on contributions to the German-language Russlandanalysen (www.laender-analysen.de/russland), the CSS analytical network on Russia and Eurasia (www.res.ethz.ch), and the Russian Regional Report. The Russian Analytical Digest covers political, economic, and social developments in Russia and its regions, and looks at Russia's role in international relations.

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Research Centre for East European Studies [Forschungsstelle Osteuropa] at the University of Bremen

Founded in 1982, the Research Centre for East European Studies (Forschungsstelle Osteuropa) at the University of Bremen is dedicated to socialist and post-socialist cultural and societal developments in the countries of Central and Eastern Europe.

The Research Centre possesses a unique collection of alternative culture and independent writings from the former socialist countries in its archive. In addition to extensive individual research on dissidence and society in socialist countries, since January 2007 a group of international research institutes is participating in a collaborative project on the theme "The other Eastern Europe – the 1960s to the 1980s, dissidence in politics and society, alternatives in culture. Contributions to comparative contemporary history", which is funded by the Volkswagen Foundation.

In the area of post-socialist societies, extensive research projects have been conducted in recent years with emphasis on political decision-making processes, economic culture and the integration of post-socialist countries into EU governance. One of the core missions of the institute is the dissemination of academic knowledge to the interested public. This includes regular email service with nearly 20,000 subscribers in politics, economics and the media.

With a collection of publications on Eastern Europe unique in Germany, the Research Centre is also a contact point for researchers as well as the interested public. The Research Centre has approximately 300 periodicals from Russia alone, which are available in the institute's library. News reports as well as academic literature is systematically processed and analyzed in data bases.

The Center for Security Studies (CSS) at ETH Zurich

The Center for Security Studies (CSS) at the Swiss Federal Institute of Technology (ETH Zurich) is a Swiss academic center of competence that specializes in research, teaching, and information services in the fields of international and Swiss security studies. The CSS also acts as a consultant to various political bodies and the general public.

The CSS is engaged in research projects with a number of Swiss and international partners. The Center's research focus is on new risks, European and transatlantic security, strategy and doctrine, state failure and state building, and Swiss foreign and security policy.

In its teaching capacity, the CSS contributes to the ETH Zurich-based Bachelor of Arts (BA) degree course for prospective professional military officers in the Swiss army and the ETH and University of Zurich-based MA program in Comparative and International Studies (MACIS), offers and develops specialized courses and study programs to all ETH Zurich and University of Zurich students, and has the lead in the Executive Masters degree program in Security Policy and Crisis Management (MAS ETH SPCM), which is offered by ETH Zurich. The program is tailored to the needs of experienced senior executives and managers from the private and public sectors, the policy community, and the armed forces.

The CSS runs the International Relations and Security Network (ISN), and in cooperation with partner institutes manages the Comprehensive Risk Analysis and Management Network (CRN), the Parallel History Project on NATO and the Warsaw Pact (PHP), the Swiss Foreign and Security Policy Network (SSN), and the Russian and Eurasian Security (RES) Network.

Editors: Matthias Neumann, Robert Orttung, Jeronim Perović, Heiko Pleines, Hans-Henning Schröder
Layout: Cengiz Kibaroglu, Matthias Neumann
ISSN 1863-0421 © 2009 by Forschungsstelle Osteuropa, Bremen and Center for Security Studies, Zürich
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