

## Russia

**United States normalises trade relations with Russia.** On December 7, president Barack Obama signed the repeal of the Jackson-Vanik amendment, a Cold War vestige that denied Russia permanent most-favoured nation status in trade with the US for its human rights violations. Trade has been carried out on the basis of annual MFN-decisions by the US government. Denial of most-favoured nation trading status to another WTO member, however, is a violation of WTO rules. Thus, the US had to dismantle the Jackson-Vanik regime for US firms to benefit fully from Russia's recent WTO membership, including the possibility of taking trade disputes with Russia to WTO arbitration.

Rolled into the legislation signed by Obama, however, was a second part known as the Magnitsky Law, named after lawyer Sergei Magnitsky who died in Russian prison in 2009. It forbids granting US visas to Russians involved in human rights violations. In response, the Duma is considering a bill to deny visas and economic relations for US citizens that have violated Russian rights.

**Government approves a programme to boost stock of affordable housing.** On November 30, the government approved its latest programme on housing and municipal utilities running through 2020. The plan is to increase the amount of annual housing production by 50 % over the next eight years, from 63 million m<sup>2</sup> this year to 92 million m<sup>2</sup> in 2020. Hitting that target will require growth of about 5 % a year. The new goal is far less ambitious than the previous two housing programmes' targets (80 million m<sup>2</sup> a year in 2010 and 90 million m<sup>2</sup> in 2015). Both targets proved unachievable due e.g. to the recession.

The programme calls for fulfilling the volume target by nearly doubling affordable "economy class" housing production during 2013–2020. The needed land is provided by the federation. The mass construction is to help subdue the rise in prices of new houses to a pace much below the pre-crisis years when the economy was booming.

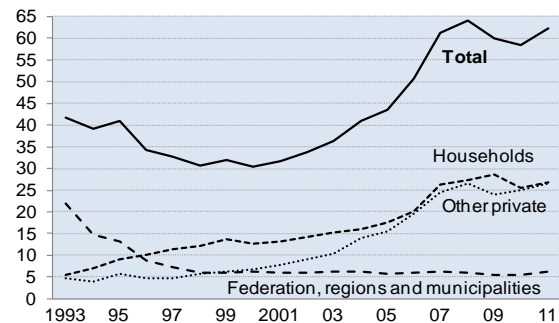
Russia's current residential housing stock constitutes about 3.3 billion m<sup>2</sup> of floorspace, which works out to 23 m<sup>2</sup> per capita. The housing programme seeks to boost the amount of per capita living space to 28–35 m<sup>2</sup> by 2020. In most advanced European economies, the amount of living space is about 35–45 m<sup>2</sup> per person.

The estimated regional budgets for housing and municipal services should rise by about 50 % in nominal terms by 2020. Financing indicated in the programme covers only part of the expenditure to the sector. For example, the programme projects spending of 315 billion rubles (nearly €8 billion) next year. In contrast, total 2011 housing investment in Russia was almost 1.6 trillion rubles.

The number of publicly subsidised housing loans is to increase by about a third from the current 650,000. To sup-

port the growth in housing loans, Russia's state-owned mortgage agency will provide more loan guarantees. Real interest rates on housing loans should fall from the current 5–6 % p.a. to 2 % by 2018. Builders and remodelers will be eligible for tax breaks on certain conditions.

### Housing completions 1993–2011, million m<sup>2</sup> of floorspace



Source: Rosstat

**Russia rolls out new anti-corruption laws.** At the start of 2013, a new law goes into force under which state officials and their family members must declare spending and sources of funds when their spending exceeds reported income. Officials are already required to declare all income. Another bill currently being drafted would ban officials from owning assets abroad. The bill is intended to limit abuses of public officials. Surveys have found that Russians see corruption as one of the country's biggest problems, but most also see eliminating corruption impossible.

Russia's Investigative Committee, which looks into alleged instances of corruption, reports that this year it received over 30,000 reports of corruption during January–September, an increase of 20 % from a year earlier. About half of the reports led to criminal investigations. The council estimates that just the investigated cases involved about 8 billion rubles (€200 million) in losses to society. Russian NGOs Indem and the Association of Russian Lawyers for Human Rights estimate that corrupt and illegal activities in recent years account for 30–50 % of GDP.

The larger cases of corruption are related to business. According to the World Bank, e.g. one in five companies participating in public procurements are required to pay kickbacks to officials. The average kickback was valued at around 2.5 % of each procurement.

Russians encounter corruption in their daily lives. A survey last year by Indem for the economy ministry found that every other Russian has encountered corruption when dealing with public officials. Most frequently mentioned motivation for bribing is getting the officials to perform their regular tasks and often people are aware of the bribing requirements already beforehand. The most common corruption incidents were encountered with traffic police as well as child care and higher education. The average bribe paid in 2010 was slightly over 5,000 rubles (€125).

## China

**No surprises at Economic Work Conference.** The Central Economic Work Conference for 2013 was held December 15–16 in Beijing. Its themes were familiar: China's needs to shift growth model, deal with migration to cities and stick with structural reform programmes. Current problems in export markets underline the need to change the growth model so that domestic demand will play a bigger role in the future. However, the change from investment-driven growth to consumption-driven growth remains slow. As urbanisation will continue to be an important part of the government's growth strategy, investments in infrastructure will remain high.

True drivers of these structural changes are economic reforms that aim at opening up the Chinese economy and increasing the competitiveness of sectors currently dominated by state enterprises. In this respect, the Work Conference gave promising signals. News agency Xinhua reported conference participants wanted to see "greater political courage" in reform policies. With urbanisation topping the agenda, the National Development and Reform Commission (NDRC) has already proposed to speed up reform of the hukou household registration system.

The conference release stated "proactive fiscal policies and prudent monetary policy will continue in 2013," which only indicates that authorities will react when the economic situation demands. Several news outlets reported that the government has set the GDP growth target at 7.5 % also for 2013. Most experts are forecasting actual GDP growth of 8 % next year. The inflation target has been lowered from 4 % in 2012 to 3.5 % in 2013. November inflation was 2 %.

The incoming government should soon announce the nominations of the new central bank governor and other important top leadership appointments.

**Chinese university puts national unemployment rate at 8 %.** Early this month, Southwestern University of Finance and Economics (SWUFE) in the city of Guanghai, released the findings of its summer survey of 5,000 urban households throughout China. The survey put China's unemployment rate at 8 %. A similar SWUFE survey in summer 2011 estimated the unemployment rate at 7.5 % at the time. The survey findings were in line with those of a 2008 China Academy of Social Sciences (CASS) survey that put the unemployment rate at 9 %.

The new survey found that those with university degrees had the easiest time finding work, with unemployment for this group below 4 %. For 26 to 40-year-olds, the unemployment rate was 5–6 %, while for those over 50, the rate was 16 %. Unemployment among people under 26 was

nearly 10 %, but the figure may exaggerate the situation as the survey coincided with summer, when millions of students graduate and start looking for jobs.

The SWUFE findings are notable in light of the poor quality of China's official unemployment figures. The National Statistics Bureau only publishes the number of people registered as unemployed. The figure of 4.1 % of the labour force has stayed about the same for the past three decades. The biggest drawback of the official figures is that they omit unemployed who see no benefit in registering and the entire plethora of migrant workers.

SWUFE ambitions include shifting to quarterly surveys, yet it is unclear how willingly officials will tolerate regular and comprehensive informal estimates of politically sensitive issue. On the other hand, the unofficial survey gives officials motivation to develop their methods to improve the accuracy and reliability of official assessments.

**Record number of patent applications submitted to China's patent office in 2011.** Figures released by the UN's World Intellectual Property Organisation (WIPO) show that China's state IP office (SIPO), took in the most patent applications globally in 2011. In addition to China, only patent offices of the United States, Japan and Germany have held the top position over the past century.

Despite economic difficulties, the number of patent applications submitted climbed over 8 % last year to over 2 million applications. More than 526,000 patent applications were submitted in China, a rise of 35 % y-o-y. SIPO's share of total patent applications has increased 10 percentage points over the past three years to the current 25 %.

Nearly 80 % of SIPO's patent applications came from China-registered applicants. Actually, Chinese entities have so far focused applying domestic patents and are not too active in other countries. When total patent applications to all patent offices in the world are considered, Japanese patent-seekers submit the most applications.

About a million patents were granted globally in 2011, an increase of 12 % from 2010. The number of patents granted by SIPO has risen faster than the growth in patent grants overall, but the number of granted patents still lags Japan and the US patent offices.

While there are problems with patent statistics, nobody disputes that Chinese firms are taking greater initiative in protecting their intellectual property. The attention of the Chinese to IP issues is welcome as it signals more interest in systems of enforcement which means also foreign firms should in the future find it easier to protect their IP in China. China's interest in IP also reflects the rising technical sophistication of Chinese firms. As to international patent applications (PCT) in 2011, the top and third highest numbers of patent filings were submitted by the Chinese telecom giants ZTE and Huawei.