

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Trade and Finance



Master's Thesis

**Trends and directions of Russian Federation economy
development in the conditions of Western Europe countries'
sanctions**

Bc. Yulia Solovyeva

© 2023 CZU Prague

CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

DIPLOMA THESIS ASSIGNMENT

Bc. Yulia Solovyeva

Economics and Management

Economics and Management

Thesis title

Trends and directions of Russian Federation economy development in the conditions of Western Europe countries' sanctions

Objectives of thesis

The main objective of the final thesis will be, based on the methods used, to evaluate the main trends and directions of development of the economy of the Russian Federation in the context of sanctions of European countries.

Methodology

To accomplish the purpose of the work, the following procedures and methods are used:

- 1) identify the nature and essence of economic sanctions;
- 2) consider the history of the application of trade and economic sanctions against the Russian Federation in 1993-2020;
- 3) study the chronology and essence of the sanctions imposed on the Russian Federation by European countries and determine their impact on trade and economic relations of Russia;
- 4) analyze the impact of sanctions on the main sectors of the economy of the Russian Federation;
- 5) to identify the prospects for the development of the Russian Federation in the context of the sanctions of European countries.

The proposed extent of the thesis

30-40 pages

Keywords

economic sanctions, sectoral restrictions, strategic industries, investment ties, foreign capital.

Recommended information sources

Glazyev S. Strategy of the outstripping development of Russia in the conditions of global crisis. – M. : Economics, 2012. – 162 p. – ISBN 978-112-0006-21-7

Keshner M.V. Economic sanctions in modern international law: monograph. – M. : Prospect, 2015. – 121 p. – ISBN 978-985-731-7-20-8

Nikolaeva I.P. World economy – Moscow: Prospect, 2013. – 251 p. – ISBN 978-5-9916-2998-0

Ponomareva E.S. World economy and international relations – M. : Unity-Dana, 2013. – 287 p. – ISBN 8-5-238-01911-6

Puzakova E.P., Arkhipova A.Yu. International economic relations. International Business. – M. : Phoenix, 2013. – 576 p. – ISBN: 978-5-222-14810-5

Expected date of thesis defence

2021/22 SS – FEM

The Diploma Thesis Supervisor

Ing. Olga Regnerová, Ph.D.

Supervising department

Department of Trade and Finance

Electronic approval: 27. 2. 2022

prof. Ing. Luboš Smutka, Ph.D.

Head of department

Electronic approval: 28. 2. 2022

doc. Ing. Tomáš Šubrt, Ph.D.

Dean

Prague on 13. 11. 2022

Declaration

I declare that I have worked on my master's thesis titled "Trends and directions of Russian Federation economy development in the conditions of Western Europe countries' sanctions" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the master's thesis, I declare that the thesis does not break any copyrights.

In Prague on 30.11.2022

Acknowledgement

I would like to thank Ing. Olga Regnerová, Ph.D. and all other persons, for their advice and support during my work on this thesis.

Trends and directions of Russian Federation economy development in the conditions of Western Europe countries' sanctions

Abstract

The thesis analyzes the impact of sanctions imposed by European countries on the economy of the Russian Federation. To conduct the analysis, the theory of sanctions, their historical examples and evolution were studied, the goals of the European Union sanctions were taken into account and the consequences of sanctions for different sectors of the Russian economy were determined. This paper can be seen as an important analysis of the problems and consequences of the imposed sanctions on the most important sectors of the Russian economy, namely the financial, agricultural, energy and technological sectors. The main purpose of this paper is to show how the sanctions imposed by the European Union countries have affected Russia's economic development and how the political approach of the Russian government has changed.

Keywords: economic sanctions, sectoral restrictions, strategic industries, investment ties, foreign capital.

Trendy a směry vývoje ekonomiky Ruské federace v podmínkách sankcí zemí západní Evropy

Abstrakt

Tato práce analyzuje dopad sankcí uvalených evropskými zeměmi na ekonomiku Ruské federace. Za účelem provedení analýzy byla prostudována teorie sankcí, jejich historické příklady a vývoj, byly zohledněny cíle sankcí Evropské unie a identifikovány důsledky sankcí na různá odvětví ruské ekonomiky. Tento článek lze považovat za důležitou analýzu problémů a důsledků uvalených sankcí na nejdůležitější odvětví ruské ekonomiky, konkrétně na finanční, zemědělský, energetický a technologický sektor. Hlavním cílem tohoto článku je ukázat, jak sankce uvalené Evropskou unií ovlivnily hospodářský rozvoj Ruska a jak se změnilo politické zázemí ruské vlády.

Klíčová slova: ekonomické sankce, sektorová omezení, strategická odvětví, investiční vazby, zahraniční kapitál.

Table of Content

1	Introduction	10
2	Objectives and Methodology	11
2.1	Objectives	11
2.1.1	Aim of the Research	11
2.2	Methodology	12
3	Literature Review.....	13
3.1	Theoretical definition and nature of economic sanctions	13
3.1.1	Reasons and aims of trade and economic sanctions	16
3.1.2	History of Trade and Economic Sanctions against the Russian Federation 1993-2020	19
4	The Impact Of Anti-Russian Sanctions On The Economy.....	24
4.1	Impact of sanctions on Russia's main economic sectors	24
4.2	Russia's economy under sanctions in 2022.....	27
4.3	Russia's response to sanctions	31
5	Import Substitution Policy And Development Of Russian Production	33
5.1	Import substitution as a rehabilitative measure for the Russian economy under sanctions.....	33
5.2	Main directions of export development until 2025.....	36
6	Results and Discussion	44
6.1	What sanctions has the European Union already imposed?	44
6.2	Against whom are the sanctions imposed?	44
6.3	What do individual sanctions mean in practice?	45
6.4	What does it mean for Russian and Belarusian banks to be cut off from SWIFT?	45
6.5	What do sanctions against the Central Bank of Russia mean in practice?	46
6.6	What do sanctions mean in the aviation sector?	46
6.7	Why has the European Union suspended Sputnik and Russia Today?.....	47
6.8	Does the European Union coordinate its sanctions with its partners?	47
6.9	Do EU sanctions comply with international laws?	48
6.10	What sanctions affect EU-Russia trade relations?	48
6.11	What goods cannot be exported to Russia from the EU?	49
6.12	What types of goods cannot be imported from Russia to the EU?	49
6.13	What are the restrictions on road transport?	49
6.14	What sanctions have been imposed on maritime transport?	50
7	Conclusion.....	51
8	References	53
9	Table list.....	59

Table of Figures

Figure 1: "Active initiator of sanctions events"	24
Figure 2: "Sanctions events"	25
Figure 3: "Initiator of sanctions events"	26
Figure 4:"Key export growth indicators to 2025, in %"	37
Figure 5:"Export structure of petroleum products by 2025, in billions of USD"	39
Figure 6:"Forecast of steel exports by 2025, in billions of USD"	40
Figure 7:"Projections for aluminium exports by 2023, in billions of USD. US\$"	41
Figure 8:"Forecast of fertilizer exports by 2025, in billions of dollars. USD"	42

Table List

Table 1:"Classification of economic sanctions"	59
Table 2:"12 facts describing the state of the Russian economy under sanctions"	60
Table 3:"Share of high-tech goods in total imports (%) for 2020-2022"	62
Table 4:"Dependence of industrial sectors on imports"	63
Table 5:"Production of main import-substituting foodstuffs in Russia for 2022"	64
Table 6:"Russian Escort Economic Development Scenario to 2025"	65
Table 7:"Forecast of growth in the Russian Federation's non-commodity exports over the period 2022-2025, in billion USD."	67

1 Introduction

In today's world, economic policy is of great importance. To weaken an entire country, other countries seek to attack its economy. And there are many such ways. As we know, one of the key problems of Russia's economy in the last two years has been the sanctions imposed by countries that are members of the European Union. The reason for this was Russia's foreign policy towards Ukraine, in particular Crimea and Sevastopol, which were then part of Ukraine. According to the political meaning, sanctions are punitive diplomatic, economic, and public actions against a state that has violated international law. Recent political and economic developments around the world have had a rather detrimental effect on Russia's economy. The country has entered a new economic reality due to the development of interstate integration and the launch of the Eurasian Economic Union on 1 January 2015. Eurasian Economic Union, Russia's membership in the World Trade Organization, and, among other things, the imposition of anti-Russian economic sanctions by certain Western countries and the adoption of retaliatory protective measures by Russia (Suhanova, 2017).

The modern life of Russians is characterized by instability. This trend has not left the modern economy untouched. There are constant changes in the market economy in Russia, such as crises, inflation, devaluations, etc. There is a movement of goods, money, and income. The economic situation of countries can also change quite dramatically "thanks to" sanctions. The countries of Western Europe have mainly directed their sanctions solely at the pain points of the Russian economy, namely, numerous structural deficiencies, inconsistencies, and unevenness, which have accumulated as a result of errors in economic policy and have seriously weakened the resistance of the Russian economy to external threats (Golovin & Kovpak, 2017).

The relevance of the topic is that in modern times, economic sanctions are the main tool of foreign policy and international diplomacy. When sanctions and restrictions are applied for a certain period of time, they can have a lasting impact despite the time limit, because the economy of a country does not feel their effect immediately, but only after a certain period of time. Most of the negative effects of sanctions, such as reduced GDP growth, job losses, and the elimination of a country's fledgling businesses, are only revealed over time. In addition, it is worth bearing in mind that the removal of sanctions is always slower than their introduction. Based on the above, we can conclude that the topic of the impact of economic sanctions from Western countries on the Russian economy is relevant.

2 Objectives and Methodology

2.1 Objectives

The following procedures and methods are used to achieve the aim of the work:

- identify the nature and essence of economic sanctions;
- consider the history of the application of trade and economic sanctions against the Russian Federation in 1993-2020;
- study the chronology and essence of the sanctions imposed on the Russian Federation by European countries and determine their impact on trade and economic relations of Russia;
 - analyze the impact of sanctions on the main sectors of the economy of the Russian Federation;
 - to identify the prospects for the development of the Russian Federation in the context of the sanctions of European countries.

2.1.1 Aim of the Research

The aim of the research in this thesis is to investigate the historical significance of sanctions, the import substitution policy, and the prospects for Russian production.

The object of the study is social and economic relations.

The subject of the study is sanctions from Western European countries and their impact on the country's economy.

The theoretical basis of the study. "The economics of sanctions" as an area of scientific research is an integral part of institutional theory. It is most fully represented in the works of Western economists because sanctions are an important element of foreign economic policy of Western states, and its scientific development and justification are of particular interest to European and American scientists. For example, various aspects of the results of studies of economic sanctions are presented in the works of such a foreign scientist as Pers K. In Russia, interest in the study of economic sanctions has arisen in recent years in the field of the introduction of certain restrictions. In this work, we used the works of Russian scientists who reveal the problems of sanctions and their impact on the foreign economic activity of the country, including the works of Arkhipov V. V. The authors also used the works of Russian

scientists, including Arkhipov, V.V. Vinogradov, M.V. Vesikh, A.A. Golovin, V.I. Leiman, etc., as well as other works.

2.2 Methodology

The methodological basis of the research. The following research methods were used in the thesis: a systematic approach, analysis of historical data, method of deduction and induction, as well as forecasting, etc.

Structure of the work. The thesis consists of an introduction, three chapters divided into paragraphs, a conclusion, a bibliography, and appendices.

In the introduction, the problem and relevance were formulated, the aim and objectives were set, and the object and subject were defined.

The first chapter looks at the basic concept of economic sanctions, the reasons for imposing them on a country, and the historical development of Russia's economic sanctions.

The second chapter describes the impact and chronology of the economic sanctions on certain sectors of the Russian economy.

In the third chapter, the prospects for the development of import substitution in the context of European economic sanctions.

3 Literature Review

3.1 Theoretical definition and nature of economic sanctions

Sanctions themselves are certain restrictive measures against specific states, companies, or individuals. Sanctions are applied as a punishment for certain acts. Any restrictions imposed on an area of state activity create certain restrictions, which may not only affect specific areas of development and the economy but may also be general in nature. Any restrictions and impediments to activity created by sanctions pressure affect all levels of economic management. Their main purpose is to create disadvantageous conditions for the economy of the country and its subjects at the federal and regional levels and cause them to change their chosen strategy of behavior (Vesikikh, 2015).

Discussions on economic sanctions generally do not include trade barriers and export control regimes. There are many types and kinds of economic sanctions. The peculiarity of economic sanctions is that they insulate the economic interests of both the countries against which they are directed and those initiating the sanctions, as they impose additional costs on the economy. The consequences of sanctions have a painful effect on the most vulnerable segments of the population. The effectiveness of sanctions is sometimes negligible compared to the costs involved.

Economic sanctions most often include financial and trade restrictions, and are defined by actions such as imposing restrictions that are used by one participant in international trade on another participant and the main purpose of such restrictions is to force the latter to change its political course. Political sanctions, on the other hand, are imposed strictly after the violation of certain rules and norms; they are the main tool that can resolve international disputes with the least economic costs and avoid wars.

European practice provides its own definition of sanctions, e.g. Article 41 of the United Nations (UN) Charter defines economic sanctions as follows: "Measures not involving the use of armed force", which may include "complete or partial interruption of economic relations, rail, sea, air, postal, telegraphic, radio or other means of communication, and severance of diplomatic relations". (Milodin, 2004) But in Russian legal practice, every sanction is described in accordance with the Federal Law of December 30, 2006, № 281-FZ "On Special Economic Measures and Coercive Measures". (Anon., 2014) This law defines sanctions as special measures that "are applied in cases of a set of circumstances that require an urgent response to an internationally wrongful act or unfriendly action of a foreign state

or its bodies and officials, threatening the interests and security of the country and violating the rights and freedoms of its citizens, as well as in accordance with the UN Security Council resolutions".

The imposition of sanctions measures is constantly expanding. They now also cover democratic leadership, the protection of citizens' rights, the end of wars, the fight against terrorism, and the preservation of peace treaties. The main purpose of sanctions is to oblige the leadership of the country on which they are imposed to change its political work in various areas, such as the withdrawal of troops from occupied territory, ending human rights violations, ending international terrorism, and so on. Consequently, many studies have described economic sanctions as an instrument of coercion that is applied to states, businesses, or groups when they undertake actions that do not comply with the system of rules established by international norms. From all of the above in the first paragraph, the content of sanctions in this aspect is reduced by focusing on their political and legal component to the detriment of economic policy. At the same time only in rare articles, it is possible to find the opinion that sanctions can differ in the nature of their impact and can be both negative and positive. (Vinogradova, 2016) The example of humanitarian and investment aid can be cited here.

In terms of economic content, it is possible to distinguish between *trade* and *financial* sanctions. In the first case, restrictions are imposed on foreign trade operations with the target country, while retaliatory measures are possible on its part. The most common type of economic sanctions is embargoes, i.e. bans on the export of goods from and import of goods into a country. Under an international division of labor, an export ban should lead to a significant drop in foreign exchange earnings and, consequently, to a significant restriction of the ability to purchase the necessary goods abroad. However, in the case of a sanctioned country focused on domestic production and consumption or not supplying a significant amount of goods to the world market due to economic backwardness, the export restriction may not be sufficiently effective. Trade embargoes are the weapon of strong countries. The bigger the country imposing it, the bigger the market the targeted country loses. The smaller the target country, the lower the cost of the disappearance of suppliers borne by the initiator of sanctions (Sokolov, 2016).

It is also common for sanctions to prohibit the supply of certain (arms, high technology) or all goods to a country. The consequences and risks, in this case, are the same as in export restrictions. The problem with the effectiveness of trade sanctions is that they are easy to

circumvent, especially if the goods in question are not exclusive. It is true that in this case, at the cost of intermediary costs, risks of smuggling or corruption increase the price of the goods, but technical recipient countries can circumvent trade restrictions. Compared to trade sanctions, financial sanctions have the advantage that they are easier and quicker to impose and more difficult to circumvent. In addition, financial sanctions can discourage even investors from sanctioned countries because investors are forced to choose between the US market and the target country's market. The choice for most companies is clear. Responding to financial sanctions is extremely difficult. As a result, financial sanctions are more painful than trade sanctions. (Sokolov, 2016)

Currently, in the literature and in political slang, sanctions have come to be divided into smart sanctions and targeted (targeted) sanctions. They refer to localised impacts on individuals, companies, or sectors of the target country's economy. For the most part, such sanctions are financial in nature. Visa restrictions can also be added to them. The point of smart sanctions is to "punish" political elites or specific individuals, avoiding unnecessary impact on the population.

Robert Pape has identified the need to distinguish economic sanctions from trade and economic wars. Pape's definition of sanctions is very similar to that of the Hufbauer collective. Pape sees the emergence of a political objective as a fundamental feature of sanctions. This aim is to undermine/depress the welfare of the recipient country and use trade/financial instruments to compel it to take specific actions of a political nature. Pape distinguishes between direct and indirect sanctions. In the first case, pressure is exerted directly on the government, and conditions are created for it to conclude that it is more profitable to make concessions than to tolerate sanctions. In the second case, public outrage is provoked so that a rise in protests leads to the replacement of political power in the recipient country. Pape believes that in the case of sanctions, participants are trying to achieve political goals without considering the economic losses. Sanctions can be exchanged between partners as well as between countries with weak trade. When economic sanctions are imposed, a comprehensive or partial ban on exports and imports of specific goods, a ban on financial transactions, confiscation of property and assets, and a moratorium on transactions with specific individuals, companies, and countries are put in place. Thus, sanctions should lead to an erosion of investor confidence in the recipient country. Sanctions have moderate aims. In sanctions wars, there are often only two participants, but broad coalitions of initiating countries or the imposition of sanctions against a group of countries

are common. In the case of sanctions, the main role belongs to the government and parliament, while business is forced to adapt to the sanctions. (Suhanova, 2017)

Economic sanctions may apply not only to a particular state but also to third-country companies that have trade relations with firms in the sanctioned country. The government of a sanctioning state cannot directly prohibit third countries and their firms from having economic relations with the sanctioned country, but it can reduce the relations of its companies and public authorities with such firms. The US, for example, often takes advantage of this opportunity by blacklisting firms from many countries around the world that US officials believe are doing business with "rogue" countries. European companies are instructed to prohibit the supply of specific goods and technologies to blacklisted companies. This is especially true for military goods and dual-use goods and technologies.

Sanctions can therefore be considered an instrument of interference in the sovereign affairs of the target state or third countries. One of the main problems with the use of unilateral restrictive measures is that they infringe on human rights in the targeted countries. Often, they harm vulnerable populations by dramatically reducing the quality of life, undermining well-being, and exacerbating social problems. However, "smart" or "targeted" sanctions are not a panacea. Restrictions against a particular economic sector may hurt the welfare of citizens but not the political results. It is human rights that should be the primary measure of the ethics, legitimacy, and effectiveness of sanctions. Since it is economic sanctions that have the greatest effect and are motivated by a demonstration of determination and domestic political goals. Sanctions should be understood as a direct instrument of domination in international relations, which involves the use of economic pressure on the recipient countries by the initiating countries in order to achieve a change in their political course. And if sanctions are applied indefinitely and human rights are infringed and the stated objectives are not achieved, then the application of unilateral measures should be discontinued.

3.1.1 Reasons and aims of trade and economic sanctions

In recent decades, the attitudes of national leaders towards the proper application of sanctions have changed a great deal. From the beginning of the First World War until the end of the Second World War, sanctions were most often imposed to prevent military action and as part of a state's overall war effort. Since the end of World War II, the list of reasons for imposing sanctions has expanded to include territorial disputes, political freedom issues,

the protection of human rights, reducing nuclear proliferation, and the release of hostages and occupied territories. Sanctions are a direct tool, and this tool was used by the initiating states to put pressure on the target countries on all the lists of their policies with which the initiating countries did not agree. (Arkhipova, 2016) Economic measures of sanctions imply a worsening of the economic situation and concern the restriction of a country's foreign trade. For example, a state can impose a ban on the export of goods created by its country to the country that has been subjected to the restriction. The ban also applies in reverse, prohibiting the import of products of the same production. Since, for many states, international relations are based on trade, suppliers lose their market and consumers are unable to buy a number of products, due to a cut-off in supply. The country's authorities have to find new channels, which is determined by certain inconveniences and additional costs. The restrictions imposed on the importation of products are of a heavier and more disruptive nature. This is due to the fact that the selling countries face the problem of sales in today's competition for product markets. Thus, the main objective of imposing sanctions is to achieve a situation where the state - the object of the imposed restrictions will be partially isolated from the rest of the world. (Russia., 2022) Economic sanctions aim primarily at import substitution, i.e. the development of a narrowed reproduction system, but they do not calculate under their actions the real costs and refuse the benefits of using the system of the international division of labour. Their restrictions contradict the interests of mutually beneficial participation of the countries in the system of international cooperation and limit the benefits of international trade development. It is important to note the significance of the political component of sanctions, as economic sanctions are often imposed in order to achieve certain political goals. Among the main motives for imposing sanctions are the following:

1. Showing determination to achieve the desired goal, which is a frequent cause of sanctions, especially from Western countries;
2. eliminating the future problematic behavior of the punished international actor, limiting its political and economic identity by increasing costs;
3. the attention of the political structures of the sanctioning country in manifesting a determined foreign economic policy, but at the same time not to engage in open military conflicts (Arkhipova, 2016).

The grounds for sanctions are the actions of a foreign state that may pose real and potential threats to both national interests and the sovereignty and territorial integrity of the country. In rare cases, sanctions are imposed solely to satisfy voters and to send a signal to

third countries; to influence the country targeted by the sanctions. Many authors have identified five main purposes for imposing sanctions; sometimes a country has more than one purpose. Let us consider the main objectives for imposing sanctions:

1. change of policy of a sanctioned country in a restricted area ;
2. regime change with the secondary objective of changing the policies of the sanctioned country;
3. the cessation of hostilities;
4. The destruction of the country's military capabilities;
5. changing other important aspects of sanctioned countries' policies (e.g. forcing a country's leader to leave office). (Godovannik, 2015)

In accordance with Federal Law No. 281-FZ, the main aims of sanctions are to safeguard the interests and security of the Russian Federation or to eliminate or reduce the threat of violations of the rights and freedoms of its citizens. It is important to note that they are applied on the basis of principles such as

1. legitimacy;
 2. the transparency of the application of special measures;
 3. The validity and objectivity of the application of special economic measures.
- (Anon., 2014)

In a large economy, it is inconceivable to imagine a state that is not embedded in a system of global economic relations. However, the measure of interdependence may vary. For Russia, such dependence on the world may be reflected in a number of spheres. Firstly, it is the supply of vital goods (food, medicines, technology, spare parts for machinery). With regard to Russia's energy resources, sanctions on oil and gas exports are not advisable at all. After all, Europe gets 67.5% of the country's oil and it is not easy to find new ways of energy supply. The same is true for Russian natural gas, which is a significant import item for European countries. As we know, the globalisation of the international economy is manifested in the interaction and interdependence of nation-states. Therefore, when it comes to imposing sanctions against economically powerful states, one should either expect retaliatory sanctions, which could turn into trade wars or be prepared for the sanctions to have a bilateral effect.

Thus an economic war begins. Neither side is at a complete disadvantage. To summarise, it is clear that economic sanctions can only worsen the overall economic situation. The imposition of such restrictions can adversely affect not only the "victim country" but also the

"sanctioning country". This has been studied using the example of sanctions against Russia. In addition, the imposition of economic sanctions may start an economic war, as some countries have the ability to use retaliatory sanctions.

3.1.2 History of Trade and Economic Sanctions against the Russian Federation 1993-2020

The introduction of anti-Russian sanctions was first noticed during the late Middle Ages. As early as 1548, the Saxon merchant H. Schlitte recruited 123 masters of various trades in various European cities (Makarov, 2020) on instructions from Ivan the Terrible. And despite the permission of the German Emperor Charles V, the masters did not get to Russia. They were all arrested by the authorities of Lübeck, at the request of the leadership of the Livonian Order - the crusader kingdom of today's Estonia and Latvia. The authorities of the Order and the Baltic cities were afraid of Russia's military and economic strengthening. In Lübeck's archives, a letter was found from Revelský Magistrate on July 19 1548 where a request was made to do everything possible to prevent H. Schlitte and his companions from entering Moscow. At the same time, the letter described the disaster, which would befall "Livonia and the whole German nation, if the Muscovites get acquainted with the military art of the West". (Emelyanov, 2018) Despite its political background, it was also openly discriminatory towards Russia's economic interests.

In the new history of the country, sanctions were imposed quite frequently and in the early 1920s, there were more than 15 cases. Most sanctions were announced unilaterally by the US, but in modern times, Western European countries have also become very active in sanctions, although the founders of sanctions associations are the US. (Treaty on European Union, 1992)

Immediately after the October Revolution, a trade and naval blockade was imposed. Although the blockade was lifted in 1920, as the situation at the Civil War fronts changed in favor of the RSFSR, the country's foreign trade was reduced to virtually zero. From 1925 onwards, Western European countries refused to accept gold as payment for imported equipment and technology from the USSR, demanding payment only in oil, grain, and timber. In 1930, foreign trade partners began to accept only grain as an exchange currency. Until 1934, the country could not pay with gold. The only rare exceptions were the gold coins that had been produced in the Russian Empire. But the use of these sanctions in the form of gold and trade blockades did not produce the desired effect. This fact is confirmed

by the fact that the USSR was able to build some 9000 factories during Stalin's industrialisation, most of which were based on imported equipment. Around the same years, Western countries imposed a credit blockade against the Soviet Union. This form of sanctions consisted of refusing to lend to the Soviet economy or granting credit on unfavorable terms. The main impetus for their imposition was the refusal of the governing authorities to accept the debts and obligations of the tsarist government. The credit blockade was imposed many times, including after World War II. Although already in the 1960s, credit links between the USSR and the socialist camp countries and the capitalist world began to develop rapidly. (Medvedev, 2015)

Sanctions against "Soviet dumping" were introduced in the 1930s. At that time, the US administration accused the USSR of specially underpricing a number of goods and using prison labour in production. Certain duties and restrictions were imposed on such goods imported from the USSR as matches, asbestos, manganese, and lumber. Then such countries as France and Great Britain joined the sanctions. As a result, in 1930 the volume of foreign trade approached a maximum of 9.1 billion rubles, after which the decline began, both for imports and exports. The main reason for this was the profitable implementation of the socialist industrialisation program and direct import substitution. In the pre-war years, the share of imports from the USSR fell to around 2%. (Meshkova, 2017)

In 1946, the "Cold War" period began to develop, in this period the U.S. actively implemented the mechanism of economic sanctions against the USSR. In 1949, more than a dozen countries, including the United States, Great Britain, Canada, France, Germany, Australia, Japan, and others united into an international organization, known as the Coordinating Committee for Export Controls. For decades, this committee consisted of a list of imported goods and technologies that could not be exported to the socialist countries of Eastern Europe. And as early as 1962, the embargo on deliveries of large-diameter steel pipes intended for the construction of pipelines to the USSR was approved within the framework of NATO. In 1974, the famous Jackson-Vanik amendment to the U.S. Trade Act was adopted, which banned trade with countries that violate human rights, in particular banning emigration. This document prohibited government loans and loan guarantees to countries that violate or substantially curtail citizens' rights to emigrate as well as other human rights. This confirms once again that it was precisely an "anti-Soviet measure". The Amendment was also described as applying exorbitant tariffs and fees to goods imported into the US from non-market economies. For a long time, the Jackson-Vanik amendment severely curtailed

economic relations between Russia and the United States. The amendment was only repealed in 2012. In the first half of the 1980s, the US authorities issued an executive order on the use of economic measures against the economy of the USSR in response to the introduction of Soviet troops into Afghanistan. In addition to this amendment, the Reagan government wanted to prevent the construction of the Urengoy-Pomary-Uzhgorod gas pipeline by putting pressure on the European banks and companies involved. Europe, including France and Germany, continued to cooperate with the Soviet Union, and the project was successfully completed in 1982. Finally, as oil prices quadrupled in the mid-1970s, the USSR began to increase its energy exports. Consequently, the country's dependence on exports and on the world commodity markets in general increased. Under such conditions, external sanctions became more susceptible to the Russian economy. Among other things, Western countries reduced Soviet deliveries of large-diameter pipes, which were not manufactured in the country but were necessary for the construction of oil pipelines. In 1980, the US imposed an embargo on the sale of technology-based machinery and devices to the USSR. Sanctions against the Soviet Union were also applied by the US after the Soviet troops' entry into Afghanistan in 1980 and in 1981 in response to the events in Poland. If you study the seventy-year history of the USSR, you can understand that during this period there was a continuous economic war against the country. With the collapse of the Soviet Union, Western countries decided to partially lift restrictions on the supply of goods to former socialist countries in Eastern Europe. However, the new sanctions, which took effect in September 1991, still included electronic systems, optical fibers, communications equipment, marine categories, and jet engine technology. The Western Committee dissolved in 1994, when there was no longer anyone to keep in the East. After the collapse of the USSR, Western countries repeatedly threatened Russia with various sanctions. For example, in 1998, when Russia was unable to pay its debts to foreign creditors, the West began discussing the seizure of the Bank of Russia's foreign accounts. At the beginning of the 21st century, the US continued imposing sanctions on Russia. Sanctions were imposed on certain domestic companies involved in the construction of the nuclear power plant in Bushehr. (Levin, 2014) The sanctions list included such enterprises as:

1. The Omsk engine-building association was named after P.I. Baranov. P.I. Baranov.
2. "Rosoboronexport, for a contract to upgrade Iranian bombers
3. Sukhoi Construction Company. (Keshner, 2015)

In August 2008, trade, economic, financial, and banking sanctions against Russia were studied in Brussels over the events in South Ossetia. The most scandalous package of sanctions was the "Magnitsky Act" of 2012, in which the measures were seen as a fight for justice. But the essence of this package was the reduction of visa corridors to the US, as well as the freezing of US accounts of individuals involved in the Magnitsky case. Such events took place due to the fact that Magnitsky was a witness and at the same time a suspect in the economic crime committed by the Hermitage Capital Management fund and then died in the Matrosskaya Tishina detention center in unknown circumstances. (Golovin & Parkhomchuk, 2017) Initially, one can say that the waiting sanctions cannot affect the economy of the country and the deterioration of people's lives, but, in fact, the sanctions named after Magnitsky became the main leverage of the U.S. pressure on Russia.

The issue of expanding the list of individuals who have been accused of corruption or human rights abuses has been raised many times by Western countries. Consequently, Western countries can directly threaten all political figures in Russia with false charges and asset freezing. In the autumn of 2013, the issue of sanctions against Russia's state-owned banks for collaborating with the Syrian government was raised in the US. The events of 2014 in Ukraine were the beginning of direct action by Western countries and the US to impose economic sanctions against Russia. In March 2014, after the referendum on the reunification of Crimea with Russia, the EU decided to apply a set of measures to put pressure on Russia. This sanctions package included three sanctions packages each: the personal, sectoral, and Crimean sanctions packages. In 2018 and 2019, they were supplemented with sanctions in connection with allegations of chemical weapons use in the UK's Salisbury in the Skripal case and because of the incident in the Kerch Strait, when three Ukrainian naval vessels, violated the order of passage through the Russian territorial sea, were detained and taken to Kerch. (Ivanova, 2018)

In 2019, all heads of state and government of the European Union decided to extend economic sanctions against Russia, which are due to expire on 31 January 2020. This extension took effect after approval by the Council of the European Union and was published in its official journal. The sanctions applied to 20 Russian financial, oil and defense companies. There were also restrictions on the provision of loans and investment services to five Russian banks:

1. Sberbank;
2. VTB;

3. Gazprombank;
4. VEB;
5. Rosselhozbank;

Cooperation with Russia on deep-sea development services and oil production is prohibited. (Glazyev, 2012)

To conclude this paragraph, it can be said that during 100 years of constant economic and political restrictions of Western European countries towards Russia, the USA and the countries supporting these restrictive measures shifted from the usual blockades and embargoes to such escalated methods as arms race, political disinformation, manipulation of currency rates and prices on world commodity markets, drawing the country into some forms of economic "cooperation", which strengthened the raw material orientation of the economy. All the sanctions that were imposed on Russia represented a tool available to the West that demonstrated decisiveness and toughness in the process of pressuring the country. It goes without saying that economic sanctions will continue to be important as a means of pressure and conflict management not only politically, but also in the activities of large-scale international organisations in the future.

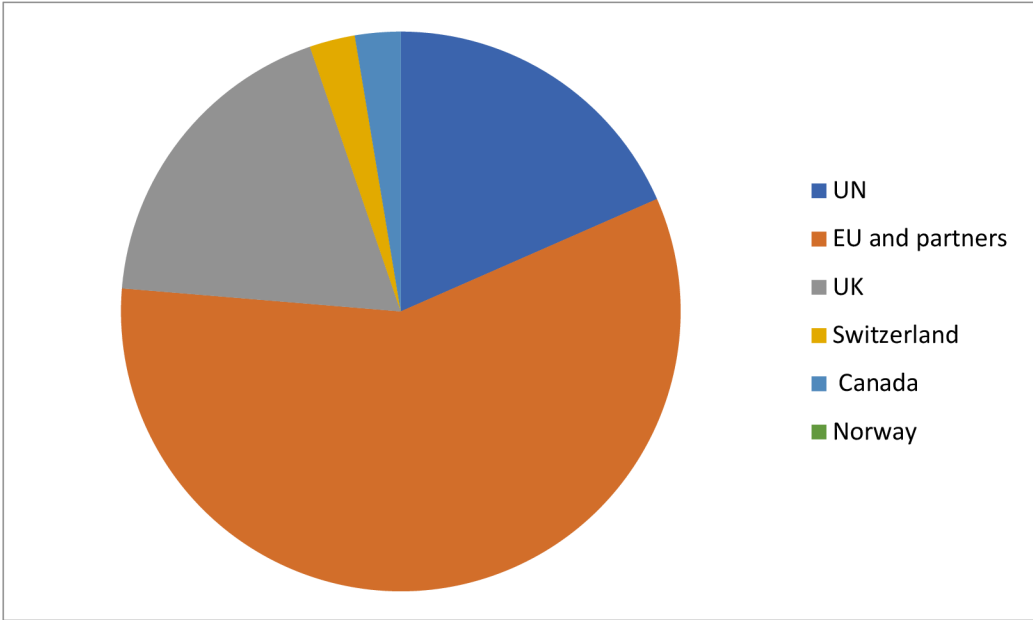
4 The Impact Of Anti-Russian Sanctions On The Economy

4.1 Impact of sanctions on Russia's main economic sectors

Between 5 January 2020 and 10 January 2021, 850 sanctions events have been recorded. This includes both sanctions against Russia and Russian individuals and restrictions against other countries, their individuals, and entities. (Anon., 2003)

The US and countries are the most active initiators of sanctions events. They account for 449 episodes out of 850, or 52.8%. The European Union can also be considered an active initiator of sanctions. It accounts for 110 events (12.94%). However, this number does not include events related to the actions of individual EU member states. They can impose their own restrictions (e.g., the Baltic states imposed their own sanctions against Belarus), as well as implement measures to implement the EU sanctions, take initiatives to impose or lift sanctions, make certain judicial decisions, etc. For example, Germany accounts for 10 such events, France for 6, the Netherlands for 4, and one event each for Cyprus, Denmark, Estonia, Finland, Italy, Latvia, Lithuania, Luxembourg, Malta, and Spain. Nine events are related to the activities of several EU countries at the same time. Thus, another 39 events can be added to the activity of EU countries. (Figure 1.).

Figure 1: "Active initiator of sanctions events"

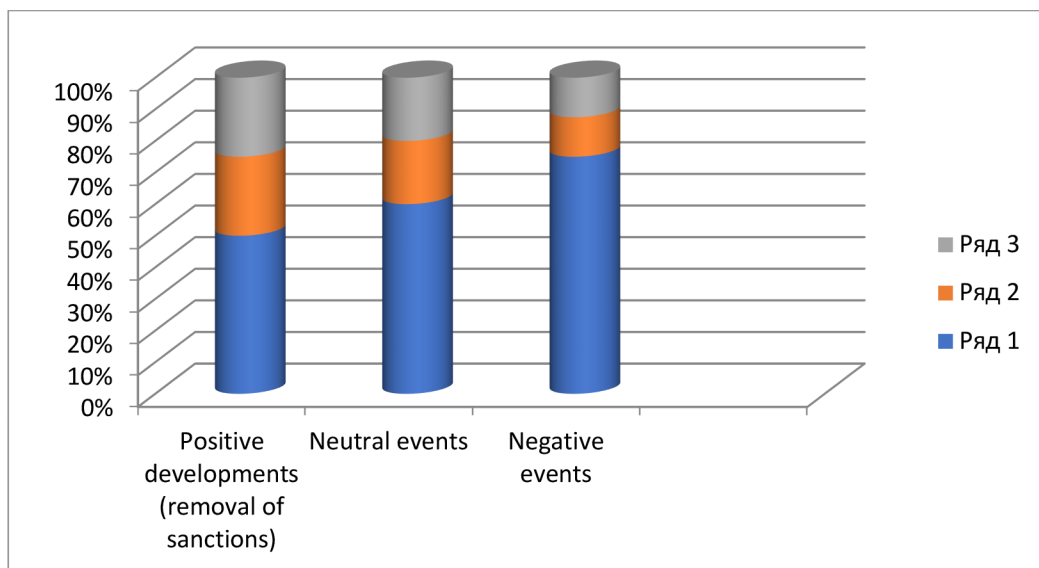


UN	7%
EU and partners	22%
UK	7%
Switzerland	1%
Canada	1%
Norway	0%
China	1%
Russia	2%
Others	6%

(Timofeev, 2021)

Out of 850 events, 514 (60.4%) are negative, i.e. characterized by the introduction of new sanctions, the extension of existing restrictions, use of coercive measures for violation of the sanctions regime, etc. 205 events (24.1%) are neutral and are limited to declarations, statements, draft laws or documents. Only 108 events out of 850 are positive (12.7%). They relate to the lifting of sanctions, suspension of their activities, issuance of licences, humanitarian exemptions, etc. (The remaining 23 events represent actions by individuals and countries that are targets of sanctions). (Figure 2.).

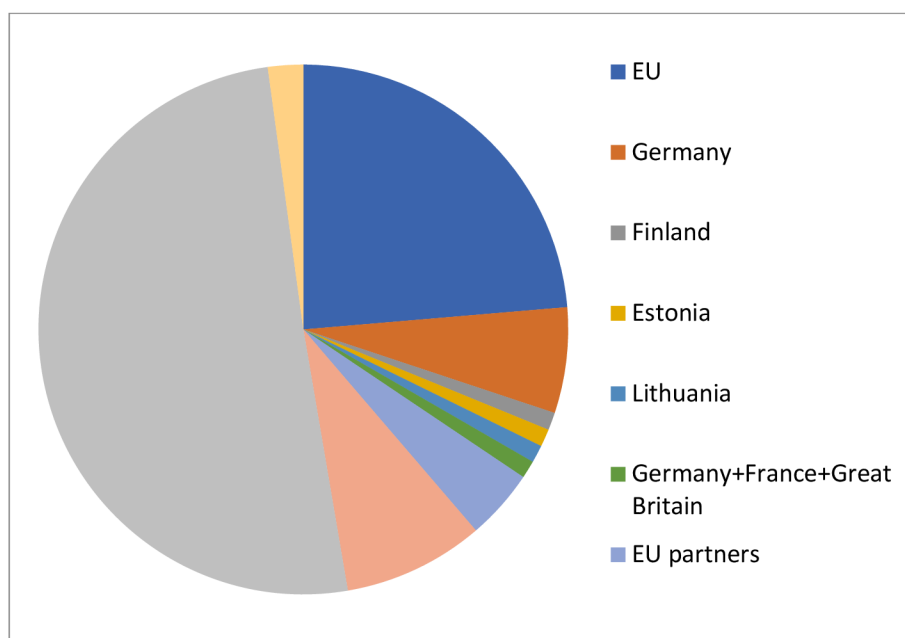
Figure 2: "Sanctions events"



(Russian Council on Foreign Affairs, 2021)

There are 93 new sanctions episodes against Russia during the period under review from 2020 to early 2022. The most frequent initiator of such events is the United States (47 episodes out of 93). Next comes the European Union - 22 episodes. Here we add the actions of individual member states. Among them are Germany (six events), Finland, Estonia, and Latvia - one event each. One event also involves joint action by Germany, France, and Great Britain. Add to this four episodes when EU partners (including Georgia and Ukraine) joined the EU sanctions. This totals 36 episodes initiated by the EU, individual EU countries or EU partners under the EU sanctions regime. The UK accounts for eight episodes. One episode each relates to Switzerland and Ukraine. Thus, the vast majority of sanctions episodes on Russia are initiated by the US and the EU. (Figure 3).

Figure 3: "Initiator of sanctions events"



EU	22%
Germany	6%
Finland	1%
Estonia	1%
Lithuania	1%
Germany+France+Great Britain	1%
EU partners	4%
UK	8%

USA	47%
Other	2%

(Timofeev, 2021)

When examining the impact of sanctions on Russia's trade and economic relations, one can say that sanctions against Russia have both positive and negative effects on the country's economy. (Nikolaeva, 2013) -. The positive ones include:

1. Development of existing economic areas (e.g. the development of domestic resorts and health resorts) and the development of new, previously unexplored areas;
2. increasing the number of jobs in Russia's new resorts;
3. The expansion of diplomatic relations with China;
4. market introduction of own products (import substitution). (Meshkov, 2015)

Negative effects on the country's economy in the long term may be affected by such things as

1. imposing sanctions on high-tech exports to Russia;
2. the country's banks' access to cheap credit from Europe;
3. Increased prices for consumer services . (Sokolov, 2018)

The current level of economic development does not permit the imposition of sanctions that will affect only one state's economy, "...it will be a mutual detriment".

4.2 Russia's economy under sanctions in 2022

Since 24 February, a record number of sanctions have been imposed on the Russian economy. In early June, the European Union approved the sixth package of sanctions, which included restrictions on Russian oil and sanctions against the National Settlement Depository. Dozens of companies ceased operations in Russia. Central Bank Governor Elvira Nabiullina said that the Russian economy would need "structural adjustment". The main facts characterising the current state of the Russian economy under sanctions have been selected. (Tunkin, 2015) These include such facts as:

1. imports;
2. oil production;
3. budget;
4. inflation;
5. payment for gas in roubles;

6. spending to support the country's economy;
7. car sales;
8. issuing mortgages;
9. consumer activity;
10. yuan;
11. unemployment;
12. The country's GDP.

All the data on the facts listed will be entered into Table 3.

Thus, from the data shown in Table 3, it can be concluded that the Rouble continues to strengthen against the Dollar, reaching its lowest value since the start of 2020. On Tuesday, May 17, the dollar was worth almost 64 P. As a result of this strengthening against the dollar, the Rouble has been ranked as the best currency of 2022 by Bloomberg. (Peres, 2014).

According to further forecasts by the Central Bank, GDP will fall by around 10% at the end of 2022. There is a widespread thesis that if the economy is falling, then the rouble must fall as well because demand for currency as a means of savings is increasing. But this thesis is wrong - the opposite is happening now. The rouble exchange rate is now largely influenced by only one part of the balance of payments - the current account, which reflects exports and imports. And it is trade in goods that now plays the key role, as many services are not available - the same tourism, air travel, and business services. The balance in services used to be negative, which means that we saw a net demand for currency. Therefore, these restrictions are now also strengthening the ruble.

When examining the country's exports, it can be said that the amount of exports may have fallen slightly, but the price of energy has risen. Therefore, Russia still earns more for less supply. The same is true for fertilizers and base metals. This compensates for the decline in non-commodity exports and services exports. Imports have fallen by dozens of percent: some companies have left the market, some have stopped supplying due to sanctions. For example, semiconductors and high-tech equipment are not supplied to us. Russian business, which was heavily dependent on supplies of raw materials, components, machinery and services from Europe, now cannot quickly readjust its supply chain and is trying to find alternative suppliers in China, Turkey and the Middle East. This will take time. That is, the demand for foreign currency to pay for imports has dropped dramatically. Plus there are requirements to sell exporters hard currency earnings. But there are not many buyers for this

currency: the dollar has become toxic for Russian companies because of the sanctions risks - this supports the rouble.

The rouble has therefore been steadily rising since the start of March and no change is expected for the time being. In the near future, a price of 55-60 R/USD can be expected. The exchange rate may temporarily be stronger if the Central Bank does not rush to soften currency restrictions. (Medov, 2022) A strong rouble has its pluses and minuses for the country, let us consider them in more detail.

The pros of a strong rouble:

1. low inflation;
2. great confidence of the country's businesses and population;
3. Creating conditions for a reduction in the central bank key rate;
4. cheaper loans;
5. rapid stabilisation of companies that focus on the domestic market.

The downside of a strong rouble:

1. a decrease in the country's budget revenues;
2. a reduction in the revenues of exporters, who generate a substantial part of the budget.

At the same time, because of the sanctions, a strong rouble will not be able to noticeably harm non-commodity exporters. Their products are rejected not because of the price, but for political and reputational reasons.

When studying the country's budget under sanctions, there was a well-known view that the rouble should be weaker to bring the budget together - then the dollars from exports would bring more roubles to the state. But this view simplifies reality: the budget in 2022 will be in deficit. But not so much because of falling revenues as because of increased spending to support the economy and anti-crisis measures. The Russian government has decided to finance this year's deficit with the money it already has. (Egorov, 2017) This is, firstly, the National Welfare Fund, and secondly, the transferable balances in the Government's account with the Treasury. Over the past few years, according to various estimates, 4 to 5 trillion rubles have accumulated there. If the current exchange rate of the rouble remains unchanged, the budget situation will be more difficult, and the budget revenues in roubles will become lower. But the main question is: will it be necessary to maintain such a high level of spending in 2023? So far, there are expectations that anti-crisis

spending will stop growing from next year: you can't increase spending indefinitely without understanding what will happen to revenues.

As already known, foreign companies have left the Russian market, but this is not a problem for the import substitution of the country, but the departure of container carriers has significantly complicated the development of trade and economic relations. Since 1 March, accepting orders for the carriage to and from Russia stopped Swiss Mediterranean Shipping Company-MSK, Danish Maersk, and French CMA CGM. Earlier, the reception of orders was suspended by German Hapag-Lloyd, Singapore's Ocean Network Express ONE, Taiwan's Yang Ming, and some other smaller lines. Interfax estimated that its market share was around 50%. But, according to experts interviewed by Tinkoff Magazine, these operators owned most of the containers carrying cargo in Russia. (Laitman, 2018)

Many people in the country may not realise how important this fact of loss is, since almost all imports that come into Russia - food, medicine, equipment, electronics, cars - come and are transported around the country in containers. And it does not matter whether by sea or by land - containers are used in both rail and road transport.

In 2020, Russia imported \$230 billion worth of goods. Most of this money, around 61 billion, was spent on various equipment and parts. Another 11 billion for pharmaceutical products and about 9 billion for plastics and plastic products. From 24 February 2022, many companies such as: "Apple, HP, Volkswagen, Suzuki, Mazda, Lego, Unilever, Carlsberg, and others have refused to supply Russia. The United States, the EU, Canada, and several other countries imposed restrictions on high-tech exports to Russia. All this has been accompanied by a rise in the exchange rate of the dollar. Now the containers of operators who have left Russia are frozen. Maersk has already stated that it intends to withdraw its containers from Russia by the end of April. This company owned every third container that was imported into or exported from Russia. (Sidelnikova, 2016)

But there are two major domestic carriers in Russia: Fesco and TransContainer. "Fesco carries cargo from Asia through the Far East by sea and rail, with 62,500 containers and 21 ships. "TransContainer also carries goods by sea and rail, with around 100,000 containers and its own private manufacturers such as Abakanvagonmash with a plant in Khakassia that can make 8,000 containers. Its maximum is 20 thousand containers a year. Also, Chinese carriers such as SWIFT and Sinotrans carry on business in Russia. Prices for their services have increased along with the rise in the exchange rate of the dollar. Import data is shown in Table 4. In a study by the SeaNews information and analytical agency which was able to

forecast the consequences of the departure of container carriers for Russians, it became clear what problems will arise for the country and its inhabitants:

1. Tariffs and logistics costs will go up, and so will the prices of everything imported;
2. Cargo traffic to Russia will decrease;
3. The geography of procurement and delivery patterns will change;
4. More cargo will go through the Far East;
5. Delivery times will increase;
6. More goods will start to be transported by rail and road;
7. Some of the players will leave the freight market and new ones will come to replace them. In other words, there will be a certain redistribution of the market. (Pravin, 2022)

The problem with rail transport is that it is usually 20-30% more expensive than sea transport, and Russian railways have previously struggled to cope with large volumes of cargo.

As a consequence, important supplies such as medicines, certain products, and spare parts for industrial activities will be delayed. This means that in times of sanctions, the country's trade and economic development will significantly deteriorate and it will take time and money to stabilise it and rebuild the market, but waiting for the rebuilding could significantly worsen the country's market position.

4.3 Russia's response to sanctions

Many countries use unilateral economic sanctions against states, individuals, and entities. Russia, for example, often applies classic trade restrictive measures (import or export embargoes) mainly against CIS countries and other neighboring countries. As a result, Russia imposed retaliatory sanctions in the form of a ban on imports of many foodstuffs that our compatriots love so much (milk and dairy products, almost all types of meat, fish, seafood, vegetables, fruit, nuts, etc.). (Mirny, 2021)

But the position of banning the import of dairy products based on vegetable fats is an important one. It is the vegetable fats that cause great harm to the health of Russians, and such of them as palm oil are not absorbed by the body. A policy of import substitution was then launched. That is, the products which made it to the sanctions list and which Russia needs, began to be produced domestically. At the same time, it is worth noting that the

domestic manufacturer, in order to be more competitive, seeks to use more natural ingredients to produce its goods. (Pirogov, 2014)

In Russia, another problem is acute: the provision of medical care. Many of the medicines needed by our compatriots are produced abroad, and unfortunately, some of them have also fallen under sanctions. This problem is addressed in an article by A. Tsatsulin. N., B. A. Tsatsulin "Innovativeness of Biological and Pharmaceutical Cluster or Import Substitution: Priorities for Sectoral Economy Development". The authors examine a range of problems associated with the formation of regional production clusters of a truly innovative type, with the introduction of public-private partnerships in the real economy, with the revival of the national medical industry, particularly the pharmaceutical industry. The solution of these problems, according to the authors of the article, will ensure the procedure of import substitution of foreign medicines with high-quality Russian pharmaceutical products, which is currently the most important task that society and the state face. (Golovin & Parkhomchuk , 2017) As for the sanctions on the services of Russian banks, so far economists do not predict their bankruptcy due to the state support represented by the Bank of Russia. (Makarov, 2020) On the contrary, due to the freezing of plastic card transactions in a number of Russian banks, in 2022 President Vladimir Putin approved the creation of a national payment system in Russia. Morgan Stanley predicts that in the event of a complete suspension of operations in Russia, Visa and MasterCard will lose 350-470 and 160 million dollars in revenue per year, respectively. (Official Internet Portal of Legal Information, 2014)

Thus, the imposition of anti-Russian sanctions had explicit and implicit aims. The explicit purpose is to "return" Crimea and Sevastopol to Ukraine. Many assumptions can be made about the hidden goals, but one can still logically conclude that the main goal is to weaken Russia and isolate it from the outside world and important information. The extent to which the US and EU have succeeded in achieving this will be discussed in the next chapter.

5 Import Substitution Policy And Development Of Russian Production

5.1 Import substitution as a rehabilitative measure for the Russian economy under sanctions

The problem of import substitution is by no means new for modern Russia. It is reflected in a number of provisions contained in 7 decrees of the President of the Russian Federation and about 200 federal laws that regulate the issues of national security. (Egorov, 2012) However, it sounded in a special way not so long ago and remains very relevant today. And this is due to the fact that for more than a year our country has been under the application of large-scale sanctions by the U.S. and EU countries, affecting primarily the economic sphere.

As a result of a series of sanctions, including economic sanctions, imposed by the US and Western Europe, which have hit the country's economy hardest, there are signs of an economic crisis affecting all areas of public life. In particular, the sanctions impose restrictions on the access of US and European investors to medium- and long-term debt instruments. American citizens and companies are prohibited from lending to Russian banks in accordance with the established list or to related legal entities for a period of more than 90 days. On 1 August 2014, similar sanctions came into force on the part of the European Union and are still in force. These restrictions imposed by the West against Russia have made it urgent to address the long-overdue problem of import substitution. The serious problem of dependence of Russia's budget revenues on extractive industries and oil and gas exports has come to light. This is especially noticeable at the time of a sharp change in oil prices on the world market. (Zavadskaya & Sarsenova , 2017) There is a need to "rebuild" the Russian economy on "new rails" by developing its production under the conditions of import substitution.

When solving the problem of import substitution, a comprehensive approach is necessary, taking into account the level of development of the Russian economy, the quality and competitiveness of domestic products, the level of innovation development of the real sector enterprise, and other factors and characteristics of Russia. And it is necessary to start solving this problem by identifying the most vulnerable sectors of Russian industry according to the indicators of import dependence and choosing the measures of state support for each sector of the Russian economy that is more or less import-dependent (Table 4).

From this table, it is important that the light industry and the machine industry are the most dependent on imports. These sectors are unlikely to recover in the short term, at least without significant, and in times of sanctions often unjustified, government investment in the development and implementation of measures aimed at supporting the analysed sectors of production.

As for other areas of domestic industry, the Russian "counter-sanctions" have had a surprisingly positive economic effect on the development of domestic industry and agricultural production in the face of sanctions. Namely, in response to the sanctions, at the beginning of 2022, Russia banned the supply of food products from "unfriendly countries". Meat, dairy products, fruit and vegetables, seafood, and chilled fish as well as soft drinks were mainly banned. The Russian government has adopted an import substitution policy in its economic development. Import substitution does not mean swapping some suppliers for others. The main point of import substitution is to help its industry to enter the world market and to be competitive and economically independent. At the same time, there is a problem, because of sanctions businessmen are afraid to invest in import substitution projects because the sanctions can be lifted, and for business, it will be a significant waste of funds. (Sergeyeva & Karimova , 2017)

It is worth realising that Russia cannot completely close its imports and be self-sufficient. Russia's GDP of imports for 2022 is about 9-10%. And the country will not be able to replace all those 10% in a short period of time. But the considerable drop in competition from foreign products has provided real opportunities for the development of domestic production and import substitution, which the government is now actively supporting. These measures have had an unexpectedly favourable effect on Russian entrepreneurship. First and foremost, this has affected small businesses, which have found their niche in the face of the growing problem of foreign product substitution. The Russian president also signed a decree on the development of IT companies and the country's IT industry, which included such support measures as:

1. Employees of these companies receive a military deferment and the opportunity to obtain a preferential mortgage;
2. All domestic companies are exempt from the tax for 3 years;
3. There will also be no tax control for 3 years;
4. Company executives can obtain preferential loans at 3% to develop projects;

5. Preferential income tax rate and reduced insurance contributions rate. (Ilina, 2019)

In particular, state support measures for industrial enterprises are now expressed in the application of tax holidays, elimination of bureaucratic obstacles, reduction of taxation, additional financing, and reduction of inspections for Russia's small businesses. The form of financial support has been the provision of subsidies, budget investments, and state and municipal guarantees for the obligations of such organisations. Thus, the support of the mentioned spheres of industry is especially necessary now, in the modern conditions of Russian reality.

Since the beginning of 2022, Russia has started to produce a large volume of basic foodstuffs. But the rate of growth in import substitution has so far remained low (Table 5). Unfortunately, the only two sectors in which Russia can currently be fully independent are the food industry and the light industry. The remaining sectors require reindustrialisation and modernisation. It is not the list of sanctions that is to blame, but the current economic model of the economy. All efforts now need to be directed not towards our own production of course, but towards what it will depend on, namely, high-precision machine tool engineering, seed farming, agro-culture, tool industry equipment, pharmaceuticals, and so on. Russia lacks a competent organizational economic policy that would help modernize production. (Otyrba & Kobayakov, 2014)

Thus, the dynamically changing national economy suggests that import substitution should become the main element of economic policy, as well as a tool for achieving the main goal of reaching a positive balance of foreign trade in goods and services. Today, import substitution, as the most important factor in achieving moderate development of the Russian economy, is rightly the main priority in the state management policy. A rational solution to this problem will make it possible not only to reduce imports while preserving a considerable volume of foreign currency in the country, but also to make goods cheaper, including support for domestic producers, create jobs, and contribute to the improvement of domestic engineering education. Import substitution alone, which would largely minimise the negative effect of possible sanctions, should be the centerpiece of the government's industrial policy. The most important task is to significantly increase the investment attractiveness of a domestic industry and, above all, high-tech engineering. (Pronin, 2014)

But the country's import substitution should not end there; one way out is for the country to acquire a wide range of goods and technologies from countries that have not joined the

anti-Russian sanctions, primarily from our BRICS partners. However, we should not forget that import substitution should not turn into a banal replacement of traditional suppliers of imported goods by others.

5.2 Main directions of export development until 2025

Foreign economic sanctions and strained foreign policy relations have served as the impetus for changes in existing foreign trade relations. The Russian government and a number of agencies have actively embarked on strategic planning for new foreign trade directions. In this situation, the Ministry of Economic Development of the Russian Federation developed a strategy for the development of services export up to 2025 (hereinafter referred to as the Strategy), this strategy was developed as part of the implementation of the federal project "Export of Services" of the national project "International Cooperation and Export", and was approved by the protocol of the Presidium of the Council under the President of the Russian Federation. (Turchev, 2022)

The objective of the Strategy is to create conditions for sustained high growth rates of services exports to reach more than USD 100 billion by 2025. The Strategy is designed to create prerequisites for enhancing the competitiveness of Russian services in global markets and creating an attractive environment for service exporters and investors in the Russian Federation based on a set of approaches to the regulation and taxation of export activities that are no less effective than those of competing jurisdictions.

The objectives of the Strategy are:

1. To identify the competitive potential and promising areas for the development of Russian services exports by service type;
2. Establishing a systematic approach to removing barriers and challenges to services exports;
3. Formulation of priorities and objectives to support and expand services exports and motivate exporters.

The export and import substitution of services in value-added terms is far more profitable than the supply of goods. The World Trade Organisation estimates that services account for around 50% of global exports of value-added, compared to just over 20% of gross exports of goods and services (Turchev, 2022). This is primarily due to the initially significantly higher share of value added in the gross output of services sectors, as well as to the growing consumption of services by industrial production. The geographical distribution of global

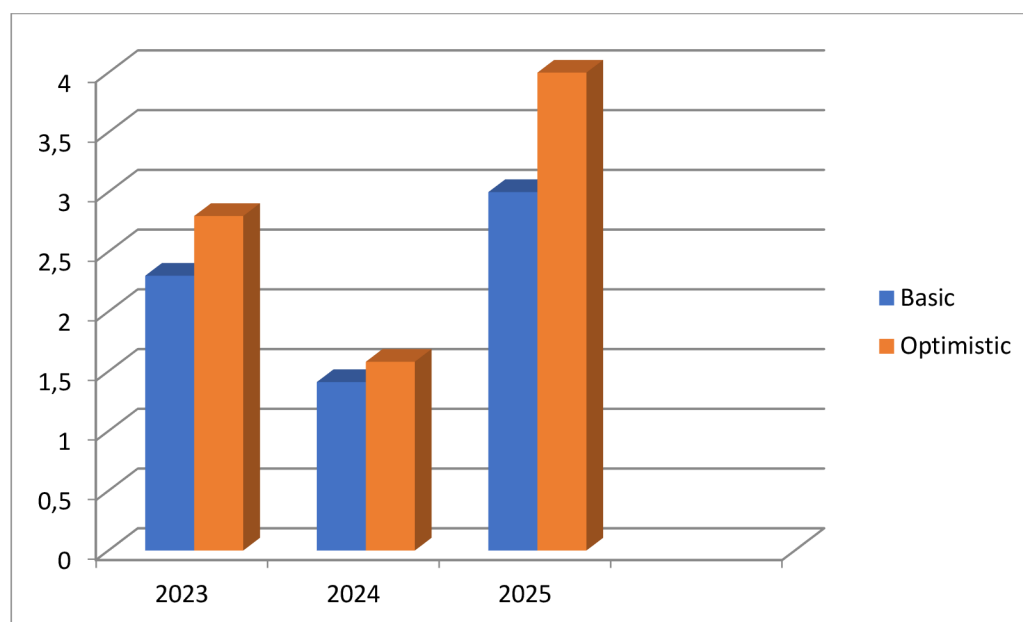
services imports only partially reflects actual services consumption, as offshore and other business process optimization schemes are widely used in selling and paying for them. Even so, the plans for the period up to 2025 are quite serious. The main target is for Russia to become one of the world's top five exporters. It is supposed to achieve this through the growth of non-resource exports (mainly due to high-tech, knowledge-intensive goods and services). In order to achieve this strategy, domestic conditions need to be created, such as

1. Moderate GDP growth (the only exception is the accelerated growth of the energy commodities sector due to the introduction of new technologies);
2. Increasing export potential in the services sector;
3. an increase in investment and consumer demand;
4. designing and developing a comprehensive national export support system.

The Ministry of Economic Development's main plan assumes two options for export development: an optimistic and a baseline scenario.

Under the first scenario, exports of goods and services would increase 2.3-2.5 times by 2025, with non-commodity exports increasing 1.3-1.6 times and services exports 1.5 times. The number of exporting companies would increase 3 times. Under the second scenario, exports will increase 2 times by 2025, exports of non-commodities will grow 1.5 times, and the number of exporting organisations will increase 2 times (Figure 4).

Figure 4: "Key export growth indicators to 2025, in %"



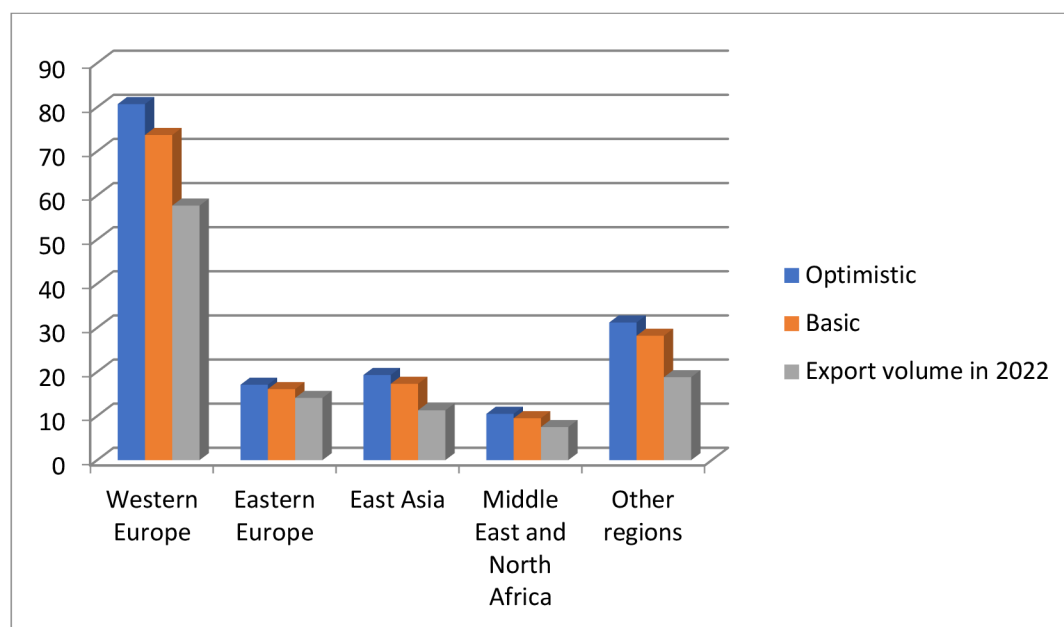
2023г.	2,3	2,8
2024 г.	1,41	1,58
2025г.	3	4

(State Program of the Russian Federation, 2022)

Both scenarios also assume an increase in exports of high-tech products, the share of machinery and equipment, and their steady annual growth. It should be clarified that non-resource exports include exports of non-resource goods and exports of services. The export of non-resource goods covers many individual commodity groups and commodity items. The main importers of Russian products will be the CIS countries (the Customs Union countries account for a significant share of them), the Asia-Pacific region, the Middle East and Latin America. It is planned that the share of non-resource exports to these countries will increase from 45% in 2023 to 54% by 2025, with average annual growth of export volumes at 8.3%. The fastest growing and most promising directions for Russian non-resource exports will be the APR and Latin America. In general, this direction will be implemented due to the developing economies of the states in the region, increasing demand for goods for the development of agriculture, with an average annual growth rate of 10.2% and 13.5% respectively¹ (Table 8). It is planned to increase exports of diesel fuel, kerosene, jet fuel and raw materials for petrochemistry. Possible growth of petroleum products by 2030 is estimated at USD 35 billion. In the case of state support of exports it is estimated at \$50 bln. The main markets for these products will be Western Europe and East Asia. The possible increase in exports of petroleum products by 2030 is estimated at \$35 billion. The growth in oil product exports by 2030 is estimated at \$35 billion, of which Western Europe will account for \$17 billion. The growth in exports of petroleum products by 2030 is estimated at \$35 bln. The total exports of petroleum products by 2030 are estimated to be \$35 billion. The rest of the regions will account for \$4 billion each, while Eastern Europe, Latin America and the Middle East and North Africa will account for \$3 billion each. The rest of the regions are worth \$4 billion. In case of favorable state stimulating policy with regard to oil refining, additional growth of oil products exports by 2025 may amount to \$17 bln, of which \$7 bln will go to Western Europe. In 2025, the additional increase in exports of petroleum products could amount to \$17 billion, of which \$7 billion will come from Western Europe. East Asia will account for \$5 billion. In the future, it is expected to be USD 2 bln, in Southeast Asia USD 2 bln, in Eastern Europe USD 5 bln, and in Asia Mineral Resources USD 2 bln. The

rest of the regions will be in the region of \$2 billion, and Western Europe will be in the region of \$2 billion. The rest of the region is expected to be worth \$2 billion (Figure 5).

Figure 5: "Export structure of petroleum products by 2025, in billions of USD"



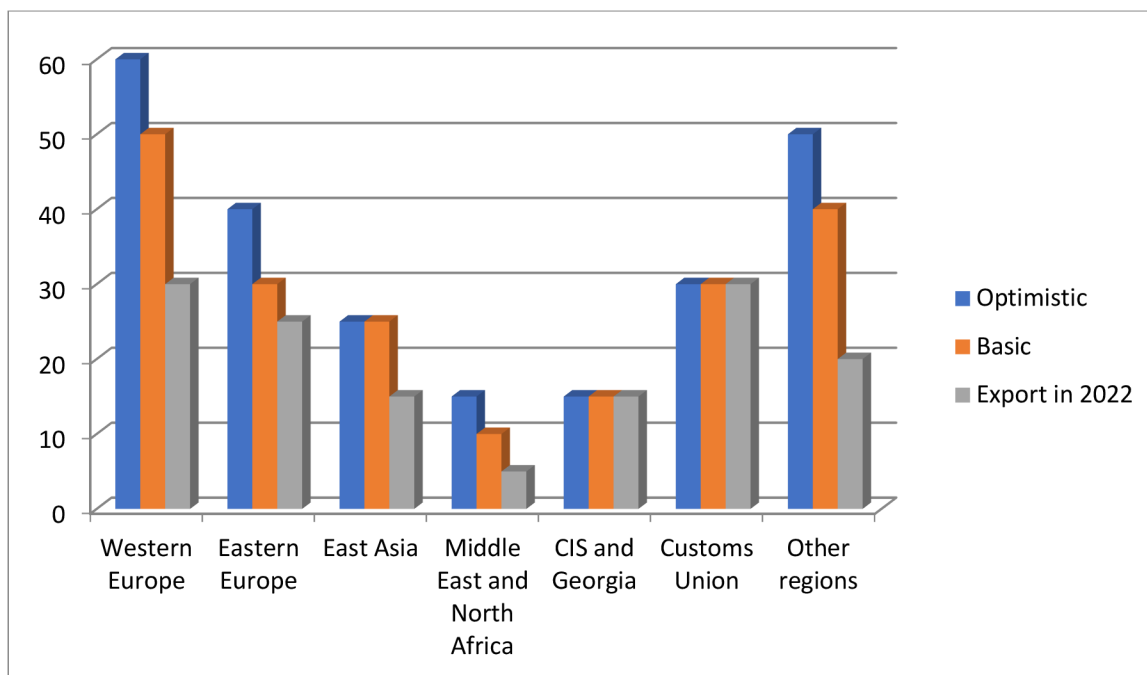
Western Europe	80,7	73,7	57,7
Eastern Europe	17,1	16,1	14,1
East Asia	19,3	17,3	11,3
Middle East and North Africa	10,5	9,5	7,5
Other regions	31,2	28,2	18,8

(State Program of the Russian Federation, 2022)

Another industry that Russia relies on is metallurgy. Currently, metallurgy products account for 12% of Russia's non-resource exports. Steel, aluminium, and aluminium products, nickel and ferrous metal products currently account for the largest share of these exports. Russia provides 5-5.8% of the world market with ferrous metal products, while the cost of these products remains low. However, although the country's geographical position facilitates access to all world markets, the location of most companies is disadvantageous, as they are located far from ports, which affects transportation costs and competitiveness. However, the situation is expected to change for the better in the future, with an increase of

13% in the industry by 2025. Other metallurgical products, such as titanium, ferroalloys, minor and rare metals, are also expected to increase by 2025. Possible growth in steel exports by 2025 is estimated at USD 6.8 billion. The potential increase in steel exports by 2025 is estimated to be US\$6.8 billion and, with the development of export infrastructure and incentives for industry projects, by a further US\$2 billion (Figure 6).

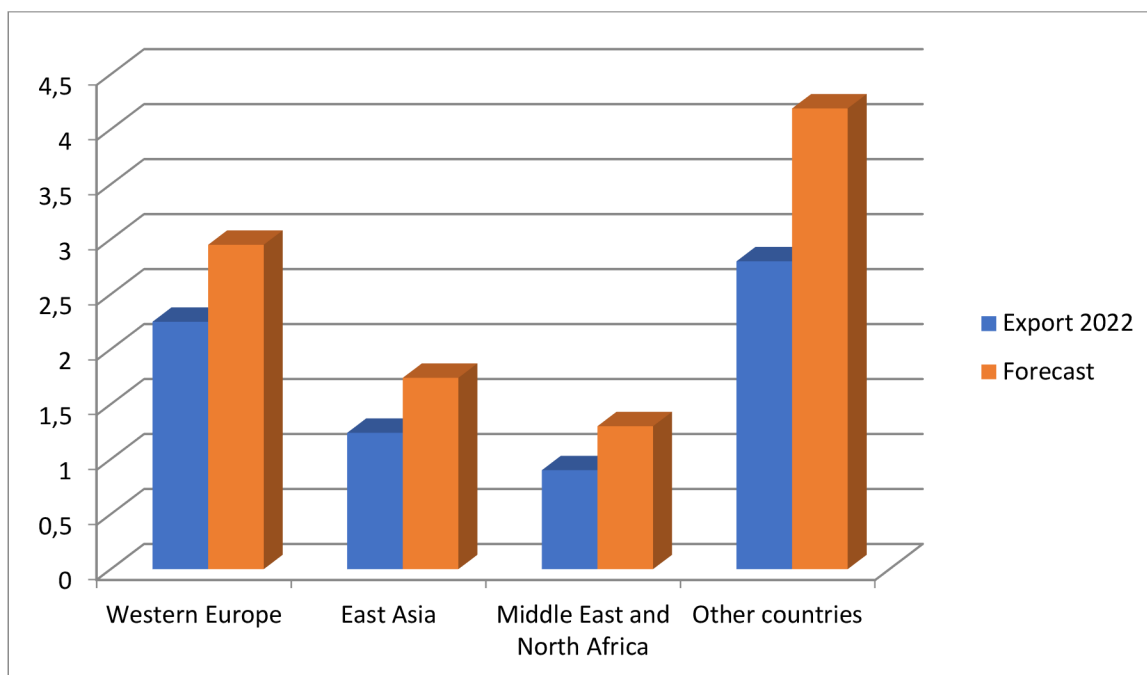
Figure 6: "Forecast of steel exports by 2025, in billions of USD"



(Ministry of Economic Development of Russia, 2022)

In foreign trade in aluminium, Russia's exports are estimated to have increased by US\$6.8 billion. In foreign trade in aluminium, Russia accounts for 4.6% of the global market and is also the largest exporter of the crude metal. Possible aluminium growth is estimated at USD 1.2 billion in 2025. The potential growth is estimated to be USD 1.2 billion by 2025 (Figure 7).

Figure 7: "Projections for aluminium exports by 2023, in billions of USD. US\$"



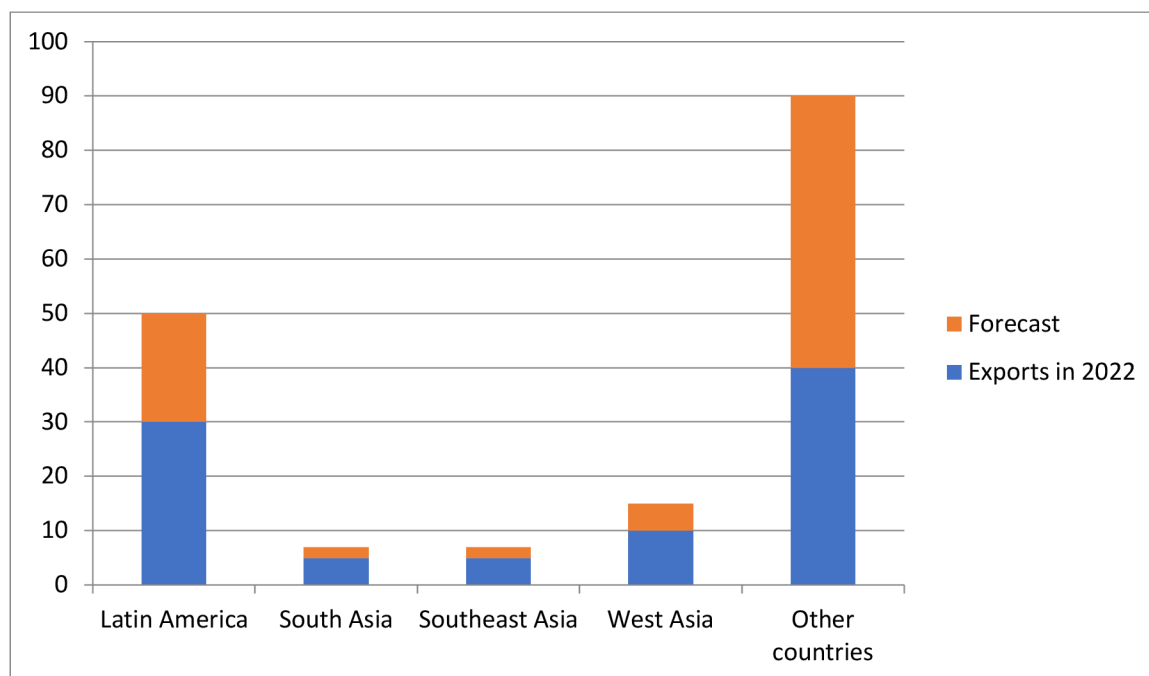
	Export 2022	Forecast
Western Europe	2,25	2,95
East Asia	1,24	1,74
Middle East and North Africa	0,9	1,3
Other countries	2,8	4,19

(Ministry of Economic Development of Russia, 2022)

The agro-industrial sector, namely the export of fertilisers, is also a key pillar of the country's 2025 development strategy. Since, despite the food embargo and WTO accession that was supposed to stimulate Russian agriculture, its growth prospects are not that high. The growth of non-commodity exports is estimated at only 10% by 2025. It is mainly related to fertilisers, cereals, oil and fats, oilseeds, and fodder. Other areas, such as meat, fruit and vegetables, sugar, and flour, also have potential, but their exports will only increase to neighbouring countries. Prospects for product growth are largely based on export and production support programs, as well as increased consumption of some agro-industrial products in the world. Fertilizers are one of Russia's main export items. The physical volume of global trade in this commodity has increased by 20% in the last 5 years due to the need of agriculture in many developing countries. Russia has successfully occupied a niche in the global market, accounting for 13.6% of global fertilizer exports. Russian fertilisers are very competitive since all the raw materials for them are produced in the country. The plan is for

exports of fertilizers to increase to USD 3.25 billion by 2025. A large share of the growth will come from increased shipments to Latin America and Southeast Asia (Figure 8).

Figure 8: "Forecast of fertilizer exports by 2025, in billions of dollars. USD"



(Ministry of Economic Development of Russia, 2022)

Grain exports are also expected to increase by 2025, estimated at USD 1.5 billion. This will be mainly due to increased shipments to the Middle East and North Africa. Growth factors are a large reserve of arable land and increased agricultural intensity.

The final stage of the strategy includes increasing digitalisation. Digitalisation and the introduction of new information and other technologies have the greatest impact on the services market, virtual trade in services is growing rapidly, opportunities for a wide range of entrepreneurs and households to participate in trade in services are emerging, and the line between domestic and international trade in services is disappearing (Turchev, 2022). In the short term, the structural and technological factors will lead to significant changes in services markets, namely:

1. With increasing digitalisation and the proliferation of online digital platforms, many types of services will increasingly move into the virtual sphere and new forms of trade in services will emerge, resulting in new challenges for the recording and regulation of such trade;

2. The need for cross-border movement of individuals to provide (receive) services will decrease due to the impact of new telepresence technologies, virtual and augmented realities, remotely controlled robotics, and others;

3. The process of industrial sector servicification will accelerate due to an increase in the volume of services that complement industrial products;

4. The emergence of a new technological paradigm will create an ever-growing and diversified demand for information technology services and related business and professional services;

5. The virtualisation and digitalisation of leading multinational corporations in the manufacturing sector, especially in engineering, will significantly increase their focus on trade in digital services and products;

6. Changes in technology and production configuration and the emergence and proliferation of new business models can be accompanied by a gradual slowdown in cross-border activities related to the movement of goods and individuals.

Unfortunately, the lack of detailed statistics on this type of exported service does not allow for operational monitoring of the situation and timely consideration of changes in order to adapt state support measures.

6 Results and Discussion

Following Russia's February 21, 2022 recognition of the non-government-controlled areas of the Donetsk and Luhansk regions of Ukraine and the unprovoked and unjustified invasion of Ukraine on February 24, 2022, the EU imposed a series of new sanctions against Russia.

These are in addition to those measures that have been imposed on Russia since 2014 in response to the annexation of Crimea and the failure to implement the Minsk agreements.

6.1 What sanctions has the European Union already imposed?

Since February, the EU has imposed five sanctions packages against Russia, including targeted restrictive measures (individual sanctions), economic sanctions and diplomatic measures.

The EU has also adopted sanctions against Belarus in response to its involvement in the invasion of Ukraine.

The purpose of economic sanctions is to impose serious consequences on Russia for its actions and to deny Russia the opportunity to continue its aggression.

Individual sanctions are directed against individuals who support, finance or commit acts that undermine the territorial integrity, sovereignty and independence of Ukraine and against those who benefit from those acts.

6.2 Against whom are the sanctions imposed?

In total, taking into account earlier individual sanctions imposed after the 2014 annexation of Crimea, the EU has placed 80 entities and 1,091 individuals on the sanctions list. This list includes:

- Russian President Vladimir Putin
- Russian Foreign Minister Sergey Lavrov
- Oligarchs associated with the Kremlin, including Roman Abramovich
- 351 members of the Russian State Duma (lower house of parliament) who voted to recognize Donetsk and Lugansk on February 15, 2022
- Members of the Security Council
- High-ranking officials and military personnel

- Major businessmen (people working in the Russian steel industry and others providing financial services to the Russian state and supplying military products and technology)
- Propagandists and those who engage in disinformation
- Some family members of several of the above-mentioned individuals.

6.3 What do individual sanctions mean in practice?

Individual sanctions include travel bans and asset freezes. A travel ban prevents listed individuals from entering or transiting EU territory by land, air or sea.

The asset freeze means that all accounts held by listed individuals and entities with EU banks are frozen. It is also forbidden to lend them, directly or indirectly, any funds or assets.

This ensures that their money will not be used to support the Russian regime, and these individuals cannot find a safe haven in the EU.

6.4 What does it mean for Russian and Belarusian banks to be cut off from SWIFT?

This ban prevents seven Russian and three Belarusian banks from making or receiving international payments using the SWIFT system.

SWIFT is a messaging system, which greatly facilitates the exchange of information between banks and other financial institutions. SWIFT connects more than 11,000 organizations around the world.

Because of the ban, these banks can neither receive foreign currency (since the transfer of foreign currency between two banks is usually done as a transfer abroad involving a foreign intermediary bank) nor transfer assets abroad. This has a negative impact on the Russian and Belarusian economies.

Technically, banks could carry out international transactions without the SWIFT system, but this is expensive, complicated and requires mutual trust between financial institutions. In the case of payments, it means going back to the times when every transaction was confirmed by phone and fax.

6.5 What do sanctions against the Central Bank of Russia mean in practice?

The European Union has banned all transactions with the Central Bank of Russia related to the management of reserves and assets of the Russian Central Bank. As a result of the asset freeze, the Central Bank of Russia no longer has access to assets held by EU central banks and private institutions.

In February 2022, Russia had \$643 billion (579 billion euros) in international reserves. Among other purposes, holding reserves in foreign currency helps maintain a stable exchange rate for the country's own currency.

It is estimated that more than half of Russia's reserves have been frozen because of the ban on transactions from the EU and other countries. The ban has also been imposed by other countries (including the United States, Canada and the United Kingdom), which also hold some Russian foreign currency reserves.

Consequently, Russia cannot use this cushion of foreign assets to provide funds to its banks and thus limit the impact of other sanctions. Even gold reserves held in Russia are now harder to sell because of international sanctions that affect Russian companies.

The EU has also banned the sale, supply, transfer and export of euro-denominated banknotes to Russia. The aim is to limit access to euro cash to the Russian government, the Central Bank of Russia, and individuals and companies based in Russia in order to prevent the circumvention of sanctions.

Similar sanctions are in place for Belarus.

6.6 What do sanctions mean in the aviation sector?

In February 2022, the European Union closed access to EU airports to all Russian air carriers and banned them from flying over EU airspace. This means that aircraft registered in Russia or other countries and leased or rented to a Russian citizen or organization may not land at any airport in the EU and may not fly over EU countries. Private aircraft, such as private business jets, also fall under the ban.

In addition, the EU has banned the export of goods and technology from the aviation and space industries to Russia.

Insurance services, maintenance and technical support related to these goods and technologies are also banned. The United States, Canada, and the United Kingdom have imposed similar restrictions.

This means that Russian airlines cannot buy aircraft, parts and equipment for their fleets, or carry out necessary repairs and maintenance. Since three-quarters of Russia's current commercial fleet was manufactured in the EU, the U.S. and Canada, over time the ban is likely to result in the suspension of much of the Russian civilian fleet, even for domestic flights.

6.7 Why has the European Union suspended Sputnik and Russia Today?

Russia uses Sputnik and Russia Today (state media) to purposefully spread propaganda and conduct disinformation campaigns, including about military aggression against Ukraine.

Sputnik and Russia Today play an important role in propaganda and support of military aggression against Ukraine, as well as in destabilizing the situation in neighboring countries.

Russia is waging a systematic international campaign of disinformation, manipulation of information, and distortion of facts to reinforce its strategy of destabilizing neighboring countries and the European Union and its member states.

The restrictions, in effect since March 2, 2022, apply to Sputnik and Russia Today (including their subsidiaries such as RT English, RT UK, RT Germany, RT France and RT Spanish) and affect all means of transmission and distribution in the EU or directed at EU countries, including cable and satellite broadcasting, IPTV, platforms, websites and applications.

6.8 Does the European Union coordinate its sanctions with its partners?

The more international partners join sanctions, the more effective the sanctions are. In recent weeks, the EU has worked closely with like-minded partners, such as the U.S., to coordinate sanctions.

The EU is working with the World Bank Group, the European Bank for Reconstruction and Development (EBRD), the Organization for Economic Cooperation and Development

(OECD) and other international partners to prevent Russia from receiving funding from these organizations.

The Russian Elite, Controlled Forces and Oligarchs (REPO) working group was recently created to coordinate international efforts, and it helps the EU work together with the G7 countries of Canada, France, Germany, Italy, Japan, the United Kingdom, the United States, and Australia to ensure that sanctions are implemented.

Although the EU works closely with many partners, each of these non-EU countries decides for itself what sanctions it will impose.

6.9 Do EU sanctions comply with international laws?

Yes. All EU sanctions fully comply with obligations under international law and respect human rights and fundamental freedoms.

Once EU Member States reach a political agreement, the European External Action Service and/or the European Commission prepare the necessary legal acts, which are then transmitted to the Council for further approval.

Council regulations and decisions, as binding legal acts, must be complied with by all natural and legal persons within the jurisdiction of the EU. This applies to all natural and legal persons within the EU, to all EU citizens regardless of their residence, and to all companies and organizations established under the laws of an EU member state.

6.10 What sanctions affect EU-Russia trade relations?

As part of economic sanctions, the EU has imposed a number of import and export restrictions on Russia. This means that European companies cannot sell certain goods to Russia (export restrictions) and Russian companies cannot sell certain goods to the EU (import restrictions).

The list of banned goods is compiled in such a way as to maximize the negative impact of sanctions on the Russian economy while limiting the consequences for businesses and citizens of the EU. Export and import restrictions do not apply to products that are primarily of a consumer nature, as well as medical, pharmaceutical, food and agricultural products, so as not to cause harm to residents of Russia.

Compliance with these restrictions is ensured by the EU customs authorities.

In addition, the EU, in cooperation with other partners, has issued a statement saying that we are no longer treating Russia as a most-favored-nation country within the WTO. The EU

has decided to act not by raising import duties, but through a set of restrictive measures, including bans on imports or exports of certain goods. The EU and its partners have also suspended any work related to Belarus' accession to the WTO.

6.11 What goods cannot be exported to Russia from the EU?

The list of goods on the sanctions list includes, among others:

- Advanced technology (e.g., quantum computers, advanced semiconductors, high-end electronics and software)
- certain types of machinery and transport equipment
- a range of goods and technologies needed for oil refining
- equipment, technologies and services for the energy sector
- goods and technology for the aerospace industry (e.g. airplanes, spare parts and any equipment for airplanes and helicopters, aviation fuel)
- maritime navigation and communication technology
- Certain dual-use goods (goods that can be used for both civil and military purposes), such as drones and related software, cryptographic devices.
- Luxury goods (e.g. luxury cars, watches, jewelry).

6.12 What types of goods cannot be imported from Russia to the EU?

The list of goods subject to sanctions includes, among others:

Coal and other solid fossil fuels (sanctions will be in effect from August 2022 due to a transition period on existing contracts)

Steel and iron

Wood, cement and some fertilizers

Seafood and spirits (e.g., caviar, vodka)

6.13 What are the restrictions on road transport?

The European Union has banned vehicles of Russian and Belarusian carriers from entering its territory, including for the transit of goods.

The purpose of these sanctions is to limit the ability of Russian industry to obtain key goods and to prevent overland trade in goods that go to or are taken out of Russia. However, EU countries can make exceptions for:

- transportation of energy products
- Transportation of pharmaceutical, medical, agricultural and food products
- Transportation of pharmaceutical products, medical products, agricultural products, and foodstuffs.
- shipment related to the operation of diplomatic and consular missions of the EU and its countries in Russia, and international organizations located in Russia, which enjoy immunity in accordance with international law
- transfer or export of cultural objects to Russia for temporary use in the framework of official cultural cooperation with Russia.

The ban does not affect postal services and goods in transit between the Kaliningrad region and Russia.

6.14 What sanctions have been imposed on maritime transport?

The EU has closed its ports to the entire Russian merchant fleet of over 2,800 ships. However, this measure does not affect vessels transporting:

- energy
- pharmaceutical, medical, agricultural and food products
- humanitarian aid
- nuclear fuel and other goods required for operation of civil nuclear facilities
- coal (until August 10, 2022, after which import of coal to the EU will be prohibited).

This measure will not affect vessels in need of assistance and seeking a place of refuge, as well as vessels making an emergency port call due to a security threat or to save lives at sea.

The ban will apply to ships that attempt to circumvent sanctions by changing the Russian flag and registering under the flag of another state. Port authorities can detect an attempted flag change or registration by checking the MMO number (a unique identification number assigned to a ship on behalf of the International Maritime Organization). (Press service of the EU delegation to Russia, 2022)

7 Conclusion

Economic sanctions are restrictive economic measures used by a country or group of countries against another country to force target governments to change their policies. These sanctions consist of a total or partial moratorium on exports and imports of goods, and may also take the form of a tightening of monetary transactions, including investment and international settlements, among other things. Russia's economic policy is little by little subordinated to security concerns, with the unquestionable aim of securing the country against internal and external threats. The geopolitical conflict with the West, which escalated in 2022, has led the authorities to step up their efforts to strengthen Russia's economic sovereignty.

So, the sanctions that were imposed by Western European countries and the US in the winter and spring of 2022 have had a significant impact on the subsequent economic development in Russia. After twenty years of close association with the global economy, especially with Western countries, the sanctions have forced politicians in Russia to reconsider the nature of the country's relationship with the global economy. However, they did not turn to the aspirations of the Soviet era. Instead, significant efforts were made to create a safer and more robust system of political economy based on progressing domestic capabilities in "strategic" industries as well as establishing closer links with other sources of technology and capital. In designing this response, policymakers reduced the impact of sanctions on the functioning and operation of the Russian economy, significantly reducing the economic and political pressures that Western powers hoped might force Russia to change its policies. (Pronin, 2014)

Prior to the sanctions, Russia's financial and economic system was gradually becoming more integrated with the Western-dominated sections of the global financial system. Russian banks, in particular, relied on foreign capital to finance domestic activities, as did a number of large firms from the natural resources sector. While the relationship between foreign capital and the Russian economy was not uncommonly volatile - the structure of the Russian economy caused capital inflows to correlate strongly with developments in the global oil market - it is fair to say that finance was one of the most globally integrated sectors of the Russian economy. Sanctions have changed that. Contributing to the sudden capital shutdown that caused a significant economic shock in early 2022, the sanctions forced Russian policymakers to develop remedial measures that changed the nature of the financial system's association with the global economy. Efforts to reduce the vulnerability of the domestic

financial system to external pressures were accompanied by efforts to find other sources of foreign capital, both by forging close links with a number of non-Western economies and by government involvement in creating innovative financial organisations with non-Western powers that could be used to finance investments in the future.

In general, the economic sanctions against Russia can be correlated with a desire to reduce Russia's influence in the global economic and political system, i.e. the use of economic methods to achieve political goals. Of course, the restrictive sanctions have been negative, but there are also positives to the situation:

1. Expanding technology exports to countries and improving the technological capabilities of its own production;
2. The development of its own meat and dairy production and the emergence of new areas;
3. Replacement of the logistics branch, at the expense of domestic companies;
4. Development of domestic IT technology and IT processes.

So, sanctions from Western Europe and the US and Russia's response to them have a contradictory impact on the economy at the present time. Russia has an enormous resource and concrete capacity for sustainable economic development and import substitution. Thus, the goal of the final qualification paper has been achieved, and the tasks have been accomplished.

8 References

Anon., 2003. *Order of the Government of the Russian Federation No 1493-r of October 14, 2003 (as amended and supplemented) "On the Concept of Development of the State Financial (Guarantee) Support to Industrial Product Exports in the Russian Federation"*. [Online] Available at: <http://www.pravo.gov.ru> [Accessed 12 10 2022].

Anon., 2014. *Federal Law of 09.07.1999 N 160-FZ (revised on 03.02.2014, amended on 05.05.2014) "On Foreign Investments in the Russian Federation"*. [Online] Available at: <http://www.pravo.gov.ru> [Accessed 10 09 2022].

Anon., 2014. *Federal Law of 09.07.1999 N 160-FZ (revised on 03.02.2014, amended on 05.05.2014) "On Foreign Investments in the Russian Federation"*. [Online] Available at: <http://www.pravo.gov.ru> [Accessed 18 09 2022].

Arkhipova, V., 2016. *Development of international sanctions regimes: historical experience*. Samara: s.n.

Draft of the Ministry of Economic Development , 2022. *Draft of the Ministry of Economic Development of the Russian Federation of March 30, 2022 "On Approval of the Main directions of export development for the period up to 2025"*. [Online] Available at: <http://www.pravo.gov.ru> [Accessed 16 10 2022].

Egorov, B., 2012. *Constitutional and legal grounds for retaliatory measures from the Russian Federation*. Ufa: Symbol of Science.

Egorov, D., 2017. *Constitutional and legal grounds for retaliatory measures from the Russian Federation*. Moscow: Symbol of Science.

Emelyanov, A., 2018. *Geopolitical Role of Russia in the Modern World: Civilizational Component*. [Online] Available at: <https://cyberleninka.ru/article/v/geopoliticheskaya-rol-rossii-v-sovremennom-miretsivilizatsionnaya-sostavlyayuschaya> [Accessed 18 11 2022].

Glazyev, S., 2012. *Strategy for Russia's Advance Development in the Global Crisis*.. Moscow: Economics.

Godovannik, E., 2015. *Economic Sanctions: Historical Aspect*. Perm: Young Scientist.

Golovin, A. A. & Kovpak, O. V., 2017. *Historical aspects of economic sanctions in the world arena*. Moscow: LLC "Aeterna"..

Golovin, A. & Parkhomchuk , M., 2017. *Assessment of the factors forming the internal economic security of the enterprises of the agroindustrial complex of the region*. Ufa: s.n.

Golovin, A. & Parkhomchuk , M., 2017. *Specificity of functioning of industrial enterprises in the region and threats to their economic security*.. Moscow: Prosvet.

Ilina, M., 2019. *List of instructions on additional measures to stimulate economic growth. Website of the President of Russia*.. [Online] Available at: <http://kremlin.ru/acts/assignments/orders/23900> [Accessed 5 09 2022].

Ivanova, A., 2018. *Sanctions in modern international law*. [Online] Available at: <https://sibac.info/journal/student/31/110823> [Accessed 07 07 2022].

Keshner, M., 2015. *Economic sanctions in modern international law: monograph*.. Moscow: Prospect.

Kuznetsova, T., 2019. *Science and Education Today*. [Online] Available at: <https://cyberleninka.ru/article/v/vneshnetorgovaya-politika-rf-v-sovremennyh-usloviyah> [Accessed 30 09 2022].

Laitman, V., 2018. *International legal sanctions as a means of legal restrictions*. Stavropol: Legal Technique.

Levin, D., 2014. *Sanctions in International Law*., Saint-Petersburg: Leningrad University..

Makarov, E., 2020. *State Program of the Russian Federation "Development of Foreign Economic Activity"*. [Online] Available at: <http://old.economy.gov.ru/minec/activity/sections/foreignEconomicActivity/gp/> [Accessed 08 10 2022].

Medov, T., 2022. *Plan of top-priority measures to ensure sustainable economic development and social stability in 2022. Order No. 98-r of February 27, 2022*. [Online]

Available at: <http://government.ru/docs/16639/>
[Accessed 12 09 2022].

Medvedev, D., 2015. *New Reality: Russia and Global Challenges*, Moscow: Voprosy ekonomiki.

Meshkova, A., 2017. *International economic sanctions: issues of effectiveness.*, Omsk: Vestnik of Omsk University. Series "Economics".

Meshkov, V., 2015. *Meeting of the Presidium of the State Council. Website of the President of Russia*, Moscow: s.n.

Milodin, V., 2004. *Declaration on Basic Conditions and Standard Criteria for the Introduction and Implementation of Sanctions and Other Coercive Measures.* [Online] Available at: <https://digitallibrary.un.org/record/518326?ln=ru>
[Accessed 12 08 2022].

Ministry of Economic Development of Russia, 2022. *"On Approval of the Main directions of export development for the period up to 2025"*. [Online] Available at: <http://www.pravo.gov.ru>
[Accessed 12 08 2022].

Mirny, H., 2021. *State Program of the Russian Federation "Development of Foreign Economic Activity"*. [Online] Available at: <http://old.economy.gov.ru/minec/activity/sections/foreignEconomicActivity/gp/>
[Accessed 11 11 2022].

Nikolaeva, I., 2013. *World Economy*. Ыщысщц: Зкщызусе.

Official Internet Portal of Legal Information, 2014. *Federal Law of 31.12.2014 № 488-FZ (revised on 01.07.2015) "On industrial policy in Russia"*. URL: *Official Internet Portal of Legal Information*. [Online] Available at: <http://www.pravo.gov.ru>
[Accessed 11 11 2022].

Otyrba, A. & Kobayakov, A., 2014. *How to win in financial wars*. Voronezh: Almanac "However"..

Peres, K., 2014. *Technological Revolutions and Financial Capital. The Dynamics of Bubbles and Periods of Prosperity.*. Moscow: Delo Publishing House.

Peshkova, I., 2022. *Production of the main types of import-substituting food products in Russia* in 2022. [Online] Available at: <https://docs.yandex.ru/docs/view?url=ya-browser%3A%2F%2F4DT1uXEPRrJRXIUfoewruHwNHPnnH8g2W95d54ik-dlr54pxiT9gaS-m9ME7SQVivRfRkqSHGGgfw5-pSXHQw67PNNUeNK-Q0u87EwmOFebP7J36NyLYVnfITXFnNOsmtI9mMSByfn7POZSaWehFQg%3D%3D%3Fsign%3DWJt-Ob53S1tYP0jXBrQtJoIDE I7DZ1zt> [Accessed 12 9 2022].

Pirogov, J., 2014. *Federal Law of 31.12.2014 № 488-FZ (revised on 01.07.2015) "On industrial policy in Russia"*. [Online] Available at: <http://www.pravo.gov.ru> [Accessed 11 08 2022].

Pravin, A., 2022. *The first meeting of the Government Commission on Import Substitution*. [Online] Available at: <http://government.ru/news/19246/> [Accessed 11 10 2022].

Press service of the EU delegation to Russia, 2022. *Explaining what the EU sanctions against Russia mean*. [Online] Available at: https://www.eeas.europa.eu/delegations/russia/объясняем-что-означают-санкции-ес-против-россии_ru?s=177 [Accessed 22 11 2022].

Pronin, A., 2014. *On the legal nature of the EU sanctions against Russia*. Moscow: Historical and Socio-Educational Thought.

Pronin, I., 2014. *On the legal nature of the EU sanctions against Russia*. Lviv: Historical and Socio-Educational Thought.

Russia., G. o., 2022. *he first meeting of the Government Commission on Import Substitution*. [Online] Available at: <http://government.ru/news/19246/> [Accessed 21 10 2022].

Russian Council on Foreign Affairs, 2021. *Russian Council*. [Online] Available at: <https://russiancouncil.ru/sanctions> [Accessed 15 10 2022].

Sergeyeva, O. & Karimova, A., 2017. *Economic consequences of sanctions for the Russian economy*. Perm: Voprosy ekonomiki i upravleniya.

Sidelnikova, I., 2016. *Sanctions: theoretical and historical aspects*. Irkutsk: Young Scientist.

Sokolov, R., 2016. Economic sanctions, their effectiveness in the global world / *International Journal*, pp. 88-93.

Sokolov, R., 2018. *Economic sanctions, their effectiveness in the global world*. Moscow: International Journal.

State Program of the Russian Federation, 2022. *"Development of Foreign Economic Activity"*, Moscow: s.n.

Suhanova, I., 2017. *Economic sanctions: content, goals, motives effectiveness*. Saratov: s.n.

Timofeev, I., 2021. *Sanctions against Russia: a look into 2021: report 65/2021*. [Online] Available at: <https://russiancouncil.ru/papers/Sanctions2021-Report65.pdf> [Accessed 12 10 2022].

Tinkoff Journal, 2022. *Russian economy under sanctions in 2022*, Moscow: Tinkoff Journal.

Treaty on European Union, 1992. *Treaty on European Union*. Maastricht: s.n.

Tunkin, G., 2015. *Theory of International Law*. Minsk: Poktov.

Turchev, S., 2022. *Plan of top-priority measures to ensure sustainable economic development and social stability in 2022. Order No. 98-r of February 27, 2022.* [Online] Available at: <http://government.ru/docs/16639/> [Accessed 15 08 2022].

Vesikikh, M. V., 2015. *Sanctions against Russia and their consequences*. Moscow: s.n.

Vinogradova, E., 2016. *Economic sanctions as an instrument of international policy*. [Online] Available at: <https://cyberleninka.ru/article/v/ekonomicheskie-sanktsii-kak-instrument-mezhdunarodnoy-politiki> [Accessed 15 10 2022].

Vinogradova, E., 2016. *Economic sanctions as an instrument of international policy // Economic and Social Problems of Russia.* [Online] Available at: <https://cyberleninka.ru/article/v/ekonomicheskie-sanktsii-kak-instrument->

mezhdunarodnoypolitiki

[Accessed 08 10 2022].

Zavadskaya , V. & Sarsenova , D., 2017. *The impact of sanctions on the economy of Russia.*

Ufa: Young Scientist.

9 Table list

Table 1: "Classification of economic sanctions"

Economic sanctions			
Trade	Financial	For services	Sectoral sanctions
Export	On monetary transactions	Insurance	In the energy sector
Imported	For transactions in precious metals	Banks	In the financial sector
	On the Invision	Brokerage activities	In the defence sector
		Payment systems	In agriculture and other sectors
		Types of transporter	

(Vinogradova, 2016)

Table 2: "12 facts describing the state of the Russian economy under sanctions".

Import	Oil extraction	Budget	Inflation
<p>The central bank expects imports to fall by up to 37% this year. Falling imports and continued inflows of foreign exchange earnings are the main reasons for the ruble's strengthening now</p>	<p>The year-end figure could fall by 4-8%. Sanctions on Russian oil transported by tanker are part of the EU's sixth sanctions package. An exception has so far been made only for pipeline oil.</p>	<p>So far, the excess of revenues over expenditures is 840 billion roubles</p>	<p>So far, officially at 17%. The Central Bank and the Ministry of Economic Affairs forecast the same 17% for the year. Previously, the Central Bank was more pessimistic and forecast inflation at 23%.</p>
Paying for gas in roubles	Spending to support the economy	Car sales	Mortgage loan disbursements
<p>Nine countries, mostly those most dependent on Russian fuel, were satisfied: Hungary, Germany, France, Italy, Austria, the Czech Republic, Slovakia and Greece.</p>	<p>Should amount to RUB 8 trillion. Of these, 5 trillion is financial security, including tax deferrals.</p>	<p>Car sales are predicted to halve over the course of this year</p>	<p>In May compared to April this year, the drop was threefold, from 163,000 to 49,000 loans.</p>

<p>Another nine companies refused to pay in roubles - these are operators from the Netherlands, Poland, Bulgaria, Denmark, Finland and the Baltic states.</p>			
Yuan	Unemployment	Consumer activity	Russian GDP
<p>It is becoming increasingly popular. The yuan's share of exchange trading in Russia has risen 14-fold, from 0.5 to 7 per cent.</p>	<p>Shows a historic low of 4%. But the departure of foreign companies threatens 350,000 workers</p>	<p>According to Sberindex, May 2022 was lower than May 2021.</p>	<p>The Central Bank predicts a fall of 8-10%. This is in line with the World Bank's forecast, which predicts a fall of 8.9%.</p>

(Tinkoff Journal, 2022)

Table 3: "Share of high-tech goods in total imports (%) for 2020-2022".

	2020	2021	2022
January	61,4	60,0	57,2
January- February	61,7	60,1	58,3
January- March	62,3	60,7	59,2
January- April	62,6	61,1	58,9
January- May	62,4	61,5	58,6
January- June	62,7	61,7	58,4
January- July	63,0	61,8	58,2
January- August	62,9	61,7	58,3
January- September	62,9	61,6	58,5
January- October	62,7	61,5	-
January- November	62,5	61,3	-
January- December	62,4	61,2	-

(Kuznetsova, 2019)

Table 4: "Dependence of industrial sectors on imports".

Industry sector	Share of imported product consumption in total industry, including full costs, %
Light industry	82
Machinery and equipment	27
Chemistry and petrochemicals	21
Food industry	20
Production of building materials	18
Agricultural production	12

(Vinogradova, 2016)

Table 5: "Production of main import-substituting foodstuffs in Russia for 2022".

	2022 January- September	In % of the corresponding period of the previous year
Cattle meat	37,8	109,9
Pork	273	112,7
Poultry meat and by-products	725	106,4
Sausages	353	94,3
Fish	111	70,7
Milk treated	9,9	104,3
Creamer	193	93,3
Cottage cheese	68,9	104,6
Butter	33,8	96,6
Cheese and cheese products	86,5	101,5

(Peshkova, 2022)

Table 6: "Russian Escort Economic Development Scenario to 2025"

Tasks	Conservative (moderately optimistic) scenario	Formed (optimistic) scenario
1	Strengthen Russia's position on the world stage, increasing the export value of goods by 2.4 times	Become one of the world's top five exporting countries
2	Focus on the development of non-commodity escorts	Increase growth in the value of non-commodity exports
3	Ensure an increase in machinery and vehicles in total exports	Ensure growth in the share of vehicles in total exports
4	Promote commodity diversification of exports	Implement a resource-innovation model for Russia's international specialisation, develop domestic IT technologies
5	Increase Russia's share of global high-tech exports by 1.5 times	Increase Russia's share of global high-tech exports by a factor of 2
6	Increase the volume of intelligent services in the escoprte by 1.5 times	Increase the volume of intellectual services by a factor of 2

7	Stimulate the growth of exporters by a factor of 2	Stimulate a 3-fold increase in the number of exporters
---	--	--

(Draft of the Ministry of Economic Development , 2022)

Table 7: "Forecast of growth in the Russian Federation's non-commodity exports over the period 2022-2025, in billion USD."

Russia's non-commodity exports, USD billion US DOLLARS				
By region	2020 (forecast)	2021 (forecast)	2022 (forecast)	Growth rate %
Western Europe	91,6	103,9	117,8	4,3
Eastern Europe	28,7	31,8	35,3	3,5
CIS countries, Georgia	44,2	53,3	64,4	6,5
Asia-Pacific countries	41,6	55,3	74,2	10,2
Latin America	4,5	6,6	9,6	13,5
Middle East and North Africa	25,2	31,2	38,7	7,4
North America	11,8	12,8	13,8	2,6
Others	8,4	9,6	11,2	4,9
Total	256	304,5	365	6,1

(Draft of the Ministry of Economic Development , 2022)