Modern conditions for overcoming sanctions in the Russian Federation

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Annotation. This article is devoted to the study of sanctions applied against the Russian Federation by the countries of Western Europe and the United States, as well as ways to overcome sanctions measures and packages. The article will consider the reasons that led to certain sanctions against the Russian Federation, as well as analyze the consequences of the measures taken to mitigate or overcome the sanctions taken against the Russian Federation.

Economic sanctions - measures that include trade and financial activity of an economic nature that are applied in the case of unfriendly actions of a foreign state or its authorities in relation to another state, posing a threat to security, violating the rules of freedoms of its citizens, in order to limit the possibility of conducting a particular policy.

How do the sanctions affect the economy of countries?

The application of economic sanctions and their subsequent increase in relation to countries is an integral part of the modern world economy. This is primarily due to the globalization of trade relations between countries, increasing demand for goods and services and their globalization in the world market. As a result, the ties of economic cooperation are strengthened. Restriction of economic cooperation due to certain sanctions decisions leads to negative consequences and often destroys the system of relations, increases inflation, blunts the interaction of national economic systems of States, which does not affect their functioning positively. In response to sanctions, anti-sanctions, the creation of conditions for overcoming sanctions, the transition to import substitution often act, but it is not always possible to achieve the economic balance that the state had before the sanctions were imposed.

The reasons for sanctions against Russia and their essence

The relatively recent events in Ukraine and the annexation of the Crimean Peninsula were the reasons for the imposition of restrictions against Russia. Over the past 5 years, the Russian Federation has been subjected to multiple restrictive measures by Western countries and the European Union. These measures were aimed mainly at key areas of the Russian economy: energy, financial institutions, raw materials structures.

On the example of the events taking place from March to December 2014-2015, Western countries imposed multiple sanctions against Russia aimed at stopping the issuance of loans to a number of large banks and corporations for a period of more than one month (for example, the sanctions of July 16, 2014 a package of sanctions was imposed against Russian defense and raw materials enterprises: “Almaz-Antey”, concern “Kalashnikov”, “Sozvezdie”, “Basalt”,“Rosneft”, “NOVATEK”, “Gazprombank” and etc. Sanctions against Russian banks, forbid them to receive us loans more than 90 days), a ban on investment in infrastructure, transport, telecommunications and energy sectors (sanctions package from July 29, 2014 in which the U.S. Treasury has imposed sanctions against several Russian banks and the United shipbuilding Corporation of the Russian Federation). In response to the sanctions, the Russian Federation imposed a ban on the import of food, the country implementing a sanctions policy towards the Russian Federation, restricted the entry into the territory of the Russian Federation to some persons.

The impact of sanctions on the Russian economy

The state supports sanctioned enterprises. In order to receive the funds necessary for this, it raises taxes and reduces the cost of paying pensions.

Sanctions of the West in 2014-2019 covered a fifth of Russia's GDP. American sanctions have affected more than four hundred Russian banks and companies. Most of them are subsidiaries of large
structures. Specialists of the Analytical Credit Rating Agency (ACRA) estimated that the restrictions covered 54% of the assets of the banking sector, 95% of the revenues of oil and gas companies and almost all defense industry enterprises. In addition to the United States, EU countries, Canada and Australia imposed sanctions against the same companies.

The countermeasures introduced by Russia in response to sanctions have led to higher prices in the consumer market and lower incomes. In 2018, according to the calculations of ACRA specialists, the ban on the import of a number of food products from countries that joined the sanctions reduced real incomes of the population in the Russian Federation by 2-3 percentage points.

As a result of sanctions, business ties between many enterprises of Western countries and Russia were significantly reduced, as well as sanctions measures prohibited entry into the territory of Western countries and the EU to some officials (representatives of large companies, senior Russian politicians). The process of depreciation of the national currency was launched, there was a massive outflow of foreign capital, and the collapse of the currency was also a consequence of the fall in the price of oil, which led to an even stronger depreciation of the ruble and further inflation. As a result of inflation, products, appliances and electronics began to rise in price. The low level of business and consumer confidence in the domestic market, due to uncertain prospects for future growth, caused a further decline in consumer and investment activity. Economic sanctions could not but affect the population of the country. Due to the closure of branches of foreign companies in the Russian Federation, as well as the bankruptcy of some Russian small and medium-sized businesses, the number of jobs is decreasing, unemployment is rising, incomes are decreasing, and, accordingly, consumer activity is decreasing. The imposition of sanctions led to a qualitative change in the dynamics of capital flows: gross inflows became steadily negative for the first time since the crisis of 2008-2009. Figure 1: Private sector capital flow (billion rubles)

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Source: Bank of Russia

The benefits of sanctions for the Russian economy

A positive result of anti-Russian sanctions can be considered the expansion of economic ties between Russia and China. In 2015, the Russian Federation and China agreed to settle certain transactions in rubles and yuan in order to reduce dependence on the US dollar.
The sanctions contributed to the reorientation of the economy from the production of commodities to the production of high value-added products. They also became an impetus for the replacement of imported goods with goods produced by domestic enterprises.

In response to Western restrictions, Russia in August 2014 banned the import of food products from countries that joined the sanctions. Thanks to this, domestic food producers got rid of foreign competitors in the Russian market. State support to the agricultural sector contributed to the growth of food production by Russian enterprises, the replacement of food imports by their own production, and the strengthening of food independence in Russia.

The respected American magazine “The Wall Street Journal” writes that US sanctions have contributed to higher world oil prices, making Russia an expensive commodity and cheaper currency, which has had a positive effect on the Russian economy.

Sanctions affected the economic policy of Russia. This was manifested in the tightening of fiscal policy, the development of an independent infrastructure of the financial market and communications, the introduction of trade barriers.

Russia has also achieved certain results through a series of anti-sanction measures. Adopting import substitution measures to solve the shortage of domestic products caused by the sanctions restrictions imposed by European and American export restrictions. Russia's import substitution includes food production, agriculture and trade. The import substitution policy basically follows the principle of market economy and has achieved certain results. Russia’s import substitution policy is not intended to replace all imported products, but is part of the key technical equipment closely related to economic development and the defense industry, involving key industries in the agricultural industry and defense industry. From the perspective of the effectiveness of policy implementation, the policy has achieved certain results in the field of agricultural food consumer goods and finance. From the perspective of regional development, the imbalance of Russia's domestic economic development has not necessarily resulted in the same effect on the implementation of import substitution policies in various regions. Through the diversification of partnerships, new investment and energy export cooperation has been obtained from China and other Asian countries, attracting a large amount of investment from China, thus reducing the adverse effects caused by the divestment of investment in Europe and the United States. Russia has gradually expanded its cooperation with Asian countries and the BRICS countries, especially with China, and has strengthened cooperation in trade, finance and energy, and gradually stepped out of the predicament of being sanctioned.

Optimal ways to overcome the consequences of anti-Russian sanctions

The negative impact of sanctions on the Russian economy forces the government to create a set of measures capable of resisting sanctions and stabilizing the further economic situation in the Russian Federation, namely:
- Sponsor small businesses by the state;
- Optimization of banking systems;
- Sponsorship and development of domestic industry producing import-substituting products;
- Improve product quality in a competitive environment;
- Opening access of domestic producers to a wider range of consumers;
- Search for new consumers of Russian sales.

Taking into account the above mentioned measures of the government to ensure the stability of the country's development in the conditions of sanctions we can talk about at least three scenarios of economic development:
1. In the positive scenario assumes accelerated development of the domestic economy, the development of industries that can most replace losses from the reduction in imports, acceleration of the processes of development and implementation of its own technology.
2. Under the negative scenario, there will be a sharp reorientation to import the necessary items from the Asian and South American regions.

3. Under the optimal scenario, a gradual substitution of imports is expected through the simultaneous restructuring of the Russian domestic sector and moderate supplies of imported products from countries not included in the Russian sanctions restrictive list.

Conclusion

In conclusion, it can be said that the negative impact of sanctions aimed at any state forces the government to create factories and institutions aimed at mitigating and, if possible, full opposition to sanctions aimed at certain economic spheres of the state. At the time of sanctions, it is important to stabilize the economic process, to develop all industries, first of all, in order to provide the necessary goods to its citizens, as well as to make the products of industries more competitive in the world market.

Reference

Decree of the President of the Russian Federation of August 6, 2014 N 560 "On the application of certain special economic measures to ensure the security of the Russian Federation" URL: Official Internet portal of legal information http://www.pravo.gov.ru


