MODERN RUSSIA: IDEOLOGY, POLITICS, CULTURE AND RELIGION

VALENTINA SCHENSNOVICH. COOPERATION BETWEEN RUSSIA AND NEAR AND FAR ABROAD COUNTRIES. *Analytical review*

Keywords: Russia, foreign economic policy, international trade, investments, turbulence, the IMF, sanctions, the EU, China, Japan, Singapore, EAEU, ASEAN, APEC, CIS; protectionism; free trade area (FTA).

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Abstract. The review analyzes current trends in international cooperation of modern Russia. Statistics on foreign trade relations of the Russian Federation for 2018-2019. with countries of near and far abroad. The dynamics of Russia's foreign trade, changes in its geographical and commodity pattern are considered. Particular

attention is paid to the cooperation of the Russian Federation with the EAEU, ASEAN, APEC and CIS countries.

Introduction

The authors of the articles analyze the evolution of Russia's foreign economic policy during the period of Western sanctions. Recently, international economic ties have been characterized by instability of the emerging trends in their development. A kind of "barometer" of changes taking place in the global economy is the IMF reports for 2018–2020, in which development assessments and forecasts have repeatedly changed. Among the main reasons for the sinusoid trend, first the rise until the mid of 2018, then the slowdown in development by the beginning of 2020, the fund's experts note an increase in uncertainty in terms of the prospects for international economic relations dependent on geopolitics.

Researchers allocate a special place to international cooperation of the Russian Federation with the EAEU, ASEAN and APEC countries, as well as to the modern state of the Russian economy, investments in its development, and state regulation of foreign trade activities.

Foreign trade relations of Russia in 2018–2020

Doctor of Economics, Head of the Center for European Trade of the Institute of Europe of the Russian Academy of Sciences, Professor of the Russian Economic University named after G.V. Plekhanova, I.S. Gladkov [2] notes that negative trends in the world economy were due to the instability of trade policy, rate increases, which predetermined a decrease in investment in external trade circulation. In such a geo-economic situation, foreign trade ties were carried out, which continued to be under sanctions from a number of Western countries of Russia. In 2019, it suffered losses in the value of domestic exports. Comparison of statistical data on foreign trade of the Russian Federation for 2019 and 2018 shows that the value of its trade circulation decreased by about 3.1 percent. This happened mainly due to a reduction in exports by 6.0 percent, import purchases by value increased by 2.2 percent. However, Russia has achieved positive results in the field of oil exports to non-CIS countries. The geography of domestic commodity export as a whole has retained on changes of its rate.

The most important foreign trade partner of the Russian Federation remained the European Union, consisting of 28 member countries.

The second major counterparty of Russia in 2019 was the Asia-Pacific region, the member countries of the Asia-Pacific Economic Cooperation (APEC) forum. The forum's share contribution to Russian foreign trade in 2019 increased to 31.8 percent, with a decrease in absolute indicators by 0.5 percent. Domestic commodity exports to APEC in 2019 decreased by 4.3 percent, but Russian imports increased by 4.1 percent. The largest foreign trade partner of Russia in APEC is China, its share in Russian external trade increased from 15.7 percent to 16.6 percent. With a lower cost of trade, the United States is in second place among Russian partners, with an increased share contribution from 3.6 percent to 3.9 percent. The third one is occupied by the Republic of Korea, but in 2019 the growth rate of its trade circulation with Russia was negative, and its cost amounted to 3.7 percent of the total external commodity exchange of the Russian Federation. Japan is in fourth place, its turnover in 2019 from the Russian Federation decreased in value by 4.5 percent with a drop in domestic commodity export by 8.7 percent, but with an increase in the cost of supplying Japanese goods to Russia by 1.6 percent.

The third in terms of contribution in 2019 to the external trade of the Russian Federation was the zone of neighboring countries, it accounts for about 1/8 of the cost of foreign trade operations. This indicator increased in 2019 to 12.1 percent. The cost of foreign trade turnover of the Russian Federation with the EAEU member countries has also increased – from 8.2 percent to 8.6 percent. At the same time, Belarus, Kazakhstan, Ukraine remained the leading counterparties of Russia in this range. Uzbekistan actively developed foreign trade relations with the Russian Federation, which increased its share contribution to the Russian external commodity turnover and achieved an increase in bilateral exchange. The author notes that the Central Asian partners of Russia in 2019 demonstrated an increase in all cost indicators in mutual commodity turnover with the Russian Federation.

Other foreign trade counterparties of the Russian Federation – Turkey, India, Egypt and Brazil – showed a decrease in almost all parameters characterizing their trade relations with the Russian Federation.

When considering the latest trends in foreign trade of the Russian Federation, the structure of export-import relations is of particular importance. The calculated data show the dominance in the domestic export of mineral products (fuel and energy goods – almost 68.0 percent of all supplies to non-CIS countries, over 31.4 percent – to the CIS). At the same time, a decrease in their cost parameters is noted. In second place in the structure of Russian exports are "metals and products made of them" (8.2 percent of the total cost of export to non-CIS countries), on the third – the group "products of the chemical industry, raw rubber" (5.4 percent), on the fourth – "food products and agricultural raw materials" (5.1 percent), on the fifth – "machines, equipment and vehicles" (over 4.6 percent), on the sixth – "precious stones, precious metals and products made of them" (4.0 percent). In total, six product groups accounted for 95.3 percent of the total value of domestic export to non-CIS countries in 2019. The same commodity groups were sent to the CIS, they provided 89.1 percent of the cost of Russian supplies to this zone. In the import of Russia from neighboring countries, the total weight of six product groups is almost 93 percent of its total value.

The author states: Russia in 2019, against the background of growing turbulence in the system of the world economy and international commodity exchange, continued sanctions pressure, mainly managed to show good results in the field of foreign trade. Contrary to the sanctions, the Russian Federation has intensified fuel supplies to the United States, taking place among the three largest oil exporters, along with Canada and Mexico. Nevertheless, according to the researcher, the prospects for the development of the economy and external commodity exchange of the Russian Federation are associated with the need to transfer foreign trade activities to a modern level, ensure a technological breakthrough, diversify exports and imports.

Cooperation between Russia and the EAEU and ASEAN

Senior lecturer of the St. Petersburg Branch of the Russian Customs Academy A.A. Vorona [1] unifies the trends and prospects for the development of cooperation between the Eurasian Economic Union (EAEU) and the Association of Southeast Asian Countries (ASEAN). ASEAN member countries are ambitious partners for the EAEU states, since the potential for economic interaction is significant, the population of the two associations is almost 850 million people. The EAEU was created to increase the competitiveness of the economies of the Union countries and international cooperation. The development of ASEAN and EAEU cooperation contributes to strengthening mutually beneficial ties with partners within the framework of integration processes in Eurasia. Due to the fact that ASEAN countries are centers of technological development in the Asia-Pacific region, partnership with ASEAN also represents a resource for solving strategic tasks to modernize the economies of the participating countries. In the context of the development of trade relations, the trade turnover of the EAEU and ASEAN countries in 2018 increased by 11.5 percent to $22.4 billion dollars. The EAEU exports mineral products, food products and agricultural raw materials to ASEAN countries, as well as metals and products from them, and imports mainly machinery, equipment and vehicles, food products.

With the view to further development the EAEU and ASEAN declared the need to expand cooperation. The new formats of interaction will double the trade turnover between the EAEU and ASEAN. It is possible to implement it within the framework of the Great Eurasian Economic Partnership. Cooperation in the digital economy and the sphere of high technologies is most promising. Joint projects in agriculture and communications sector are mutually beneficial. In October 2019, a free trade agreement was signed between the EAEU and Singapore. For the EAEU states, it opens up great opportunities for trade and investment cooperation with one of the most economically developed ASEAN countries and Asia as a whole. In turn, Singapore is interested in entering the markets of the EAEU countries and in developing economic cooperation with them, primarily with Russia, which is the economic leader of the Union.

Great attention is paid to investment cooperation in the Free Trade Agreement between the EAEU and Singapore. The establishment of a free trade area (FTA) could benefit both sides. Trade between Singapore and Russia is gradually growing from $2 billion in 2012 to $3.6 billion in 2018. Russia mainly supplies oil and oil products to the Singapore market, which is approximately 90 percent of Russian imports. Currently, Russia is actively pursuing a policy towards the development of the Asian-Pacific oil and gas market. At the same time, it has become one of the most promising areas of Russian hydrocarbon exports. Energy consumption in East and Southeast Asian countries (China, Japan, South Korea, Singapore) is constantly growing. They are also geographically close to hydrocarbon production centers in the Russian Far East, primarily on Sakhalin Island. In addition, Russia is preparing to launch the Vostok Oil project, which covers field development in the Arctic zones of the

Russian Federation and export of their products along the Northern Sea Route. The main direction of movement of oil tankers will be Asian-Pacific market. At the same time, Singapore annually invests significant funds in Russian agriculture. Imports of Russian grain and investments in its production are becoming more and more attractive to other countries, including Singapore. The development of trade relations between Singapore and Russia is taking place quite rapidly, while trade with other EAEU countries is not very large, in 2018 it amounted to about $0.6 billion dollars. The author concludes that ASEAN and EAEU trade and economic cooperation is at the initial stage of development and requires close attention for further integration. Both sides intend to stimulate the potential of this interaction. Singapore makes high-quality electronics, ships, machines, medicines and other goods that are in demand among consumers. Privileged access of Singaporean products to a large market could benefit both sides and allow them to continue to cooperate with each other.

The EAEU countries have quite powerful investment potential, are knowledge and technologies holders, that may be of interest to ASEAN partners. At the same time, the exchange of knowledge becomes important, which is achieved as part of the creation of joint ventures. Thus, the Eurasian Economic Union stimulates the development of new directions for future cooperation between countries. Economic interaction will strengthen regional ties, increase the investment attractiveness of the EAEU. Further cooperation between the EAEU and ASEAN will facilitate the export of goods to the market, ensuring economic development for associations.

State regulation of export relations of the Russian Federation

Candidate of Economic Sciences, Associate Professor of the Financial University under the Government of the Russian

Federation E.A. Miroshina and student of the Financial University A.K. Grigorieva [3] note that the accelerated development of economic cooperation requires a change in the functions of state regulation of foreign trade activities.

The main objectives of the regulation of Russia's foreign economic activity are:

– Assistance to domestic producers by providing enterprises with new equipment, machineries, technologies, necessary resources;

– Support and improvement of trade and political ties with foreign competitors, expansion of Russia's participation in integrational and international processes;

– Solving currency and financial and credit problems in relations with creditor countries, as well as international unions;

– Protection of foreign economic interests of the state;

– Aspiration to take a leading position in the world markets for the production of modern goods and services;

– Creation of a competitive sector in manufacturing and services;

– Increasing Russia's role in ensuring energy security and strengthening its position in the hydrocarbon market;

– Integration of Russia into the global transport system. Creation of new pipeline routes ("Northern and Southern Flows", "Power of Siberia"), expansion of the Trans-Siberian Railway, development of the northern sea route from Asia to Europe.

Foreign trade activities are constantly updated and require regulation by international associations. In 1995, the World Trade Organization (WTO) arose, under its control approximately 90 percent of all world trade. Russia's accession to the WTO (2011) is a significant step in the country's integration into international trade. An important role in the volume of Russia's foreign trade turnover is played by the member states of the Eurasian Economic Union (EAEU). The main participants are: Republic of Belarus, Kazakhstan, Armenia, Kyrgyzstan. The foreign trade turnover of Russia with the EAEU member states in 2018 increased compared to 2016–2017, as a result of which it led to a trade surplus. Export influenced the increase in Russia's foreign trade turnover with the EAEU member countries. In 2018, it increased by 25.8 percent compared to 2017. Most of the exports are represented by fuel and energy goods. According to customs statistics, the foreign trade turnover in 2018 amounted to 688 billion US dollars (increased by 18 percent compared to 2017). Of these, exports – 450 billion US dollars (increased by 26 percent compared to 2017), and imports amounted to 238 billion US dollars (increased by 5 percent compared to 2017).

Russia, like many other countries, pursues a policy of protectionism. Protectionist regulation methods are divided into two types: tariff and non-tariff. Tariff methods of regulation are based on customs tariffs on imports, and also involve export tariffs and customs unions. Export tariffs on the products of national manufacturers are introduced to limit exports in order to maintain supply in the domestic market. Customs unions are a community of countries that remove all customs barriers within their union while setting up barriers for countries outside their union. The authors consider non-tariff methods of state regulation of foreign trade: the introduction of quotas, economic sanctions or embargoes. Economic sanctions or embargoes involve the introduction of a complete ban on foreign trade activities with some countries by the state. The purpose of the embargo is to exert political pressure. In 2012, the EU imposed economic sanctions on the import of oil from Iran due to the threat that this country could build nuclear weapons. In July 2014, the EU and the United States moved from sanctions against individuals and enterprises to sanctions that had an impact on the Russian economy. In response, Russia has limited food imports for countries that have imposed sanctions against it.

Foreign investment in Russia

In the article of the Candidate of Economic Sciences I. Kvashnina (Institute of Economics of the Russian Academy of

Sciences) [4], there are considered changes in the regulation of foreign investments that have taken place in recent years in the world and in Russia. There is a trend of increased protectionism towards foreign direct investment (FDI). The dynamics of the inflow of foreign direct investment into the Russian Federation only partially reflects fluctuations in the movement of global investment. Alongside objective factors, the factor of world prices for raw materials and energy resources remains determining for Russia; current direct and indirect barriers to external funding; maintaining the threat of introducing new restrictive measures both in relation to companies and individuals and sectors of the economy. If in 2018 in Russia, as well as around the world and in Europe, imports of direct investment dropped to the minimum values, then in 2019, when the world showed a slight increase, imports of FDI to Russia increased by 60 percent, and the country again joined the twenty largest states on this indicator.

According to forecasts, in 2021, emerging market countries (EMCs) will face an almost twofold investment bust. The pandemic and fall of energy prices are forcing many companies to revise their investment plans in Russia, although most of the previously launched projects are still being implemented. One of the reasons for the decrease in investment is the reduction in the profit of international companies and its use for refinancing investment projects. Another threat to investment in the country is associated with the peculiarities of the Russian sectoral structure of FDI. Between 70 and 80 percent of incoming investments are in mining and services, and the automotive and related industries have played a major role in manufacturing in the past decade. These industries and sectors that are considered the most affected in the world from the crisis caused by COVID-19 (fuel and energy complex companies and extractive sectors, auto industry, air transport, transport, hotels, entertainment and other services). Under the new conditions, investments in healthcare and the production of medicines and equipment, as well as in dynamically developing information and communications activities, as well as by virtue of transferring the sale of goods and services from offline to online, will most likely be in demand.

As in most countries, in Russia liberal measures on FDI are combined with the use of certain restrictions. The Organization for Economic Cooperation and Development (OECD) monitors the degree of openness of the economy to foreign direct investment. In general, there are more restrictions on foreign capital in Russia than the OECD average, and the dynamics of three years (2016–2018) indicates a tightening of regulatory policy. During the same period, the BRICS states (especially the PRC) have noticeably advanced in the opposite direction and are now in advance of Russia in terms of the degree of openness of economies to foreign investors. The researcher emphasizes that, despite the restrictions, financial activities and insurance remain one of the most attractive areas of the application of foreign capital. Upon joining the WTO (the agreement was signed in 2011), the Russian Federation assumed obligations providing for the simplification of the admission of foreign investors.

In the insurance sector, the quota for foreigners was increased from 25 to 50 percent. Since mid-2017, the limit on the participation of foreign business in the capital of companies engaged in life insurance and compulsory insurance has been canceled; in 2021, branches of international insurance companies were allowed to work in Russia. In the banking sector, after joining the WTO, the ban on opening branch offices remains. Foreign banks can establish only subsidiaries.

The author notes that in the Russian Federation there are no total restrictions for foreign investors, but the current system for regulating the admission of foreigners is unhandy and non-transparent. Stimulating the inflow of FDI into small and medium-sized businesses should be facilitated by the abolition (from 2018) of restrictions on the participation of foreign capital in small and medium-sized enterprises (SMEs), provided that foreign companies themselves are also small and medium-sized businesses. The inclusion of companies with foreign capital in the register of SMEs gives them the right to tax benefits, admission to participate in state procurement and preferential credits, exempts them from scheduled inspections. In April 2020, the law "On the Protection and Promotion of Investments in the Russian Federation" was adopted. Business is committed to invest from 250 million rubles up to 10 billion rubles and more in projects in exchange for the invariability of tax and non-tax working conditions for a period of 6 to 20 years. Currently, the emphasis is on the competitiveness and manufacturability of the produced products. The scope of execution of special contracts at the expense of energy and agriculture has been expanded, and the maximum term of the contract has been extended from 10 to 15 years, the minimum investment threshold has been canceled. According to the new rules, the contract is concluded on the results of competitive selection, and the initiator of the project can be not only the investor, but also the state.

All companies, including enterprises with foreign investments, were affected by the crisis caused by the pandemic. In recent years, in the regulation of foreign direct investment in Russia, there has been an increase in elements of protectionism, as well under the influence of the economic crisis caused by COVID-19. In modern conditions, finding a balance between the protection of national strategic interests and the use of foreign resources and competencies seems to be an inevitable paradigm, and the creation of a transparent and understandable system of support and restrictions on foreign investment becomes an important element of a favorable investment climate.

Conclusion

The global economic crisis caused by the COVID-19 pandemic has negatively affected the global flows of foreign direct investment. The coronavirus pandemic and the deep recession that followed it can provoke another round of geopolitical rivalry and protectionism, strengthening state control over investment flows. In Russia, in recent years, the situation has come about, on the one hand investment in a significant part of economic activity is limited and inspection mechanisms are strengthened, and on the other hand, steps are being taken to involve foreign companies in the modernization of the economy.

Foreign economic policy is based on the development of technical means, the protection of national interests in the foreign economic sphere. In Russia today, measures are being taken to stimulate new technological developments, changes should be made to the geographical and commodity structure of its foreign trade activities, which often does not meet modern requirements. In addition to the need to improve the export support system, the task is also to change the macroeconomic strategy. According to Russian scientists, the most productive ideology for Russia now is the diversification strategy, which makes it possible to ensure optimal involvement in multidirectional trends in global change.

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