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OLGA KUZNETSOVA, ALEXEY KUZNETSOV. RUSSIA'S PIVOT TO THE GLOBAL SOUTH AS A FACTOR OF ITS REGIONAL DEVELOPMENT

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Abstract. The article is devoted to the possible impact of Russia's economic turnaround on the acceleration of the development of the Siberian and Far Eastern regions of Russia. It is shown that so far the intensification of the Russian foreign economic relations with the countries of Asia, Africa and Latin America has not had a decisive impact on the regional structure of the economy of the Russian Federation. The main focus of the analysis is on the study of shifts in the Russian foreign trade, foreign direct investment with the participation of Russia, as well as the export of educational services. An important conclusion is made that the turn to the global South can lead to the economic recovery of the Far Eastern and Siberian regions only with the accelerated development of the transport infrastructure necessary for foreign economic contacts. Special attention should be paid to cross-border cooperation. At the same time, it is emphasized that the acceleration of the development of the Asian part of Russia largely depends not so much on the turn of the country's external relations to the East, but on a more active regional economic policy in Siberia and the Far East. At the end of the article, specific recommendations are given for the state economic policy, taking into account the objective obstacles to the rapid restructuring of not only geographical priorities in external relations, but also to the changes in interregional disparities within the country.

Introduction

In recent years, there have been developments in Russian politics and economics that were initially called a turn to the East, but today it would be more correct to call them a turn (or even a pivot) to the global South. We are talking about the increasing role of many Asian, African, Latin American countries in Russia's international relations, in both political and economic spheres. Such developments (partly already on track, partly merely desired) also have both political and economic reasons; the major ones are listed below. First, many countries of the global South (Asia, Africa and Latin America) have a higher GDP growth rate, which gradually boosts their role in the world economy, therefore promoting economic relations with a variety of countries. Second (the matter of obvious importance for Russia), the "war of sanctions," which began in 2014 and escalated in 2022, forces us to look for both new markets for Russian products (including fuel and energy resources) and new suppliers of necessary goods. Third, by the mid-2010s, Russia had established a new federal policy regarding social and economic development of the Far East, designed to actively attract investors to the region and develop foreign economic relations with Asia-Pacific states. However, under anti-Russian sanctions, investors are predominantly Russian, and external relations are restricted to a degree. Finally, Eurasian integration is a significant factor in economic development, examined by some experts (for example, see [24]).

The geographical proximity of Russia's Far East and Siberia to the leading Asian economies (China and India) allows us to logically assume that it is the eastern regions of Russia that will have the leading role in relations with these countries, becoming "entry points" for capital, technology, services and labour from a dynamically developing East [23, p. 9].[1] For Russia, this would significantly improve regional development of the country, since one of the most important objectives of the federal spatial development policy is accelerating the growth of the eastern regions of the country, whose level and dynamics of social and economic development are lagging behind.

The purpose of this article is to analyze whether a turn to the East and, more broadly, the global South can fundamentally alter the regional structure of Russian economy.

We will try to determine whether there is a chance to develop the Far Eastern and Siberian regions, and to decrease the concentration of economic activities in the leading economic centers, primarily in the metropolitan area, through the country's East and South.

We examine three elements of foreign economic relations: foreign trade, foreign direct investment and export of educational services.[2] We are going to begin with the overview of the existing country-specific configuration of foreign economic relations and its dynamics (to the extent that the available statistical data allow) in order to show the importance of the global South for Russia as a whole; then we are going to consider the contribution of Russian regions (subjects of the Russian Federation) to foreign economic relations.

Foreign Trade in Goods

In 2022, the Federal Customs Service of Russia stopped publishing detailed data on Russian foreign trade. Nevertheless, the analysis of "mirror statistics" published by partner countries can show certain trends and most importantly the ever growing role of Asian countries in the trade turnover of Russia. However, the pivot to the East and, in general, to the global South has not been very fast in recent years, which can be seen from the data of the Federal Customs Service of Russia, published earlier. Table 1 includes Top 25 (based on the 2021 data) trading partners of Russia that are not on the list of "unfriendly countries."[3] The 2013 data is given for comparison, since it was the last full year before the "war of sanctions" began, following the refusal of the collective West to recognize the results of the will of the Crimeans and the residents of Sevastopol. In the end, the Crimea peninsula was reunited with Russia.

Table 1

Commodity foreign trade of the Russian Federation with major partners outside the collective West in 2013 and 2021

Country (ranked by the place in Russia's trade turnover in 2021)	2013				2021			
	Russia's Export		Trade Turnover		Russia's Export		Trade Turnover	
	Dollars bn.	% for Russia	Dollars bn.	% for Russia	Dollars bn.	% for Russia	Dollars bn.	% for Russia
1. China	35.6	6.76	88.8	10.54	68.9	13.97	141.6	18.00
3. Belarus	20.2	3.84	34.1	4.06	23.1	4.69	38.8	4.93
6. Türkiye	25.5	4.83	32.8	3.89	27.1	5.49	33.6	4.27
10. Kazakhstan	17.6	3.34	23.5	2.79	18.5	3.75	25.6	3.26
14. India	7.0	1.32	10.1	1.20	9.1	1.85	13.6	1.72
19. Brazil	2.0	0.38	5.5	0.65	5.3	1.07	7.5	0.95
21. Vietnam	1.4	0.26	4.0	0.47	2.2	0.45	7.1	0.91
23. Uzbekistan	2.8	0.53	4.1	0.48	5.2	1.06	6.9	0.88
28. UAE	2.1	0.40	2.5	0.30	5.1	1.03	5.4	0.68
32. Mexico	0.9	0.16	1.9	0.23	3.4	0.69	4.8	0.61
33. Egypt	2.5	0.47	2.9	0.35	4.2	0.85	4.8	0.61
37. Iran	1.2	0.22	1.6	0.19	3.1	0.62	4.0	0.51
39. Azerbaijan	2.9	0.56	3.6	0.42	2.3	0.47	3.4	0.43
40. Indonesia	1.2	0.23	3.0	0.35	0.7	0.14	3.3	0.42
42. Malaysia	1.3	0.24	2.7	0.32	1.4	0.29	3.3	0.41
43. Algeria	1.6	0.30	1.6	0.19	3.0	0.61	3.0	0.38
44. Bangladesh	0.3	0.05	0.8	0.10	1.7	0.35	3.0	0.38
46. Armenia	1.0	0.19	1.4	0.16	1.9	0.38	2.6	0.33
47. Israel	2.1	0.40	3.6	0.42	1.7	0.35	2.6	0.33
49. Kyrgyzstan	2.0	0.38	2.1	0.25	2.2	0.44	2.5	0.32
51. Serbia	0.9	0.16	2.0	0.23	1.3	0.26	2.3	0.30
52. Thailand	1.3	0.24	3.4	0.40	0.5	0.10	2.3	0.29
54. Saudi Arabia	0.8	0.15	1.1	0.13	1.9	0.39	2.3	0.29
55. Moldova	1.3	0.25	1.7	0.21	1.8	0.36	2.2	0.28
56. Hon Kong	3.0	0.57	3.2	0.38	1.6	0.33	2.2	0.28
Total Top 25	138.5	26.23	242.0	28.71	197.2	39.99	328.7	41.77

Source: Data from the Federal Customs Service of Russia. – URL: https://customs.gov.ru/ (date of access: 01.11.2022).

Over the eight years of the "war of sanctions," the total share of Russia's Top 25 trading partners in the global South and East increased by almost half – from 28.7 percent to 41.8 percent.

There was a slightly less increase in trade turnover, which grew by almost 36 percent ($86.7 billion); however, this growth occurred during a general decrease in Russia's turnover of foreign trade in goods by $55.6 billion. Over this period, the only states whose bilateral trade with Russia decreased were Azerbaijan (through the country's share as a partner slightly increased), Israel, Thailand and Hong Kong. Russian exports to these 25 countries showed even faster growth; however, Indonesia, along with Azerbaijan, Israel, Thailand and Hong Kong, also showed negative dynamics (see Table 1). Most partners outside the collective West moved up on the list of Russia's most important trading partners. The most impressive growth was demonstrated by Bangladesh (from 72nd to 44th place), Armenia (from 65th to 46th place), Iran (from 59th to 37th place), Mexico (from 52nd to 32nd place), UAE (from 45th to 28th place), Vietnam (from 33rd to 21st place) and Brazil (from 28th to 19th place).

Among the countries of the global South, we should single out those states that have become major purchasers of Russian goods over the past few years. They contributed to the diversification of predominantly oil and gas exports by purchasing commodities, ranging from grain to equipment for the construction of nuclear power plants (as is the case with Bangladesh). We should also keep in mind the underestimation of indicators for some countries, especially Iran, which has long been under sanctions. In 2021, a significant part of Russia's trade turnover with this country occurred through intermediaries in Türkiye, Azerbaijan and UAE. [11]

The increase in trade with African countries is not yet as impressive as the intensification of export-import transactions with Asian countries. The Arab states of North Africa – Egypt, Algeria and Morocco, which ranked 60th in 2021 – are among Russia's notable partners. Senegal, South Africa and Nigeria stand out among the states of sub-Saharan Africa. In eight years, the total trade turnover with Senegal grew more than tenfold, and with Nigeria – threefold. On the one hand, Russia is considerably strengthening its position on the continent as a supplier of grain and fertilizers, while also maintaining its position as an exporter of weapons and military equipment. On the other hand, despite the efforts made after the first Russia-Africa summit in 2019, a breakthrough in expanding Russian technological exports has yet to be achieved. It is also due to the negative impact of the "war of sanctions" with the collective West. The fact is that some African partners are concerned about "secondary sanctions" for expanding economic ties with Russia. [8]

Due to its remoteness from Russia, Latin America has yet to become one of the key vectors of foreign economic cooperation for domestic businesses. Moreover, the spatial factor is significant even for the Far Eastern regions of Russia; for example, the distance between Vladivostok and Berlin is still less than between Vladivostok and Mexico City. Nevertheless, despite the numerous economic and geopolitical challenges of the 2010s, Russia and Latin America were able to build up potential for intensifying economic ties in the near future [27]. However, not all countries in the region show good dynamics of foreign trade with Russia. While the trade turnover with Brazil, Mexico and Ecuador increased significantly between 2014 and 2021, Venezuela, Argentina, Cuba and some other states were marked by negative dynamics.

There are also slight shifts associated with the turn to the South within the regional context. Looking at the structure of cargo turnover of Russian seaports by basin (Table 2), we can see that starting in 2013 the role of ports of the Baltic and Azov-Black Sea basins (trade-oriented, primarily with Europe) was shrinking. However, between 2019 and 2021, their shares in cargo turnover improved; in the first half of 2022, the situation was the same. Nevertheless, the two basins mentioned above remain the major ones in the structure of cargo turnover; their role declined not so much because of the ports of the Far Eastern basin (their figures slightly increased starting in 2020), but rather due to the Arctic basin (more precisely, due to cargo shipping from Arctic regions along the Northern Sea Route).

A further increase in the share of the countries of the global South in Russian foreign trade will undoubtedly change the spatial structure of the economy. However, we believe that there are not going to be any fundamental changes due to a number of factors, including internal ones.

Table 2

Cargo turnover of Russian seaports by basins

Basin	2013	2014	2015	2016	2017	2018	2019	2020	2021	6 mos. 2022
Cargo turnover, million tons										
Arctic	46.2	35.0	35.4	49.7	73.4	92.7	104.8	96.0	94.3	48.5
Baltic	215.8	223.4	230.7	236.6	247.5	246.3	256.4	241.5	252.8	123.3
Azov-Black Sea	174.4	194.5	232.9	244.0	269.7	272.2	258.2	252.0	256.8	124.7
Caspian	7.8	7.9	6.7	6.1	3.9	4.8	7.4	8.1	7.0	2.6
Far Eastern	144.8	162.5	171.0	185.5	191.9	200.5	213.5	223.2	224.3	111.0
Total	589.0	623.4	676.7	721.9	786.4	816.5	840.3	820.8	835.2	410.1
Freight turnover by basin, percentage										
Arctic	5.6	5.2	5.6	5.2	9.3	11.4	12.5	11.7	11.3	11.8
Baltic	35.8	34.1	32.8	35.8	31.5	30.2	30.5	29.4	30.3	30.1
Azov-Black Sea	31.2	34.4	33.8	31.2	34.3	33.3	30.7	30.7	30.7	30.4
Caspian	1.3	1.0	0.8	1.3	0.5	0.6	0.9	1.0	0.8	0.6
Far Eastern	26.1	25.3	25.7	26.1	24.4	24.6	25.4	27.2	26.9	27.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Data from the Association of Commercial Seaports. – URL: https://www.morport.com/rus/content/statistika (date of access: 01.11.2022) and the authors' calculations based on the data.

It should be noted that Russian imports is dominated by non-commodity goods, i.e. production equipment or consumer goods, including those produced in China. Since China's major industrial centers are geographically close to Russian Far Eastern ports, it is often assumed that greater imports of Chinese goods are going to increase port workload. However, at present, imports from China do not move solely through Far Eastern ports. Unfortunately, there are no available up-to-date statistical data on the logistics of cargo delivery from China to Russia; according to the 2015 data, the quantitative ratio of various options for importing container cargo is as follows: [4]

– Sea transport dominates container cargo transportation from China to Russia (about 80 percent of cargo turnover, while the remaining 20 percent is railway transport).

– The volume of transhipment of Chinese cargo in ports of the Baltic basin amounted to 1.98 million TEU (52 percent), the Far Eastern basin – 1.22 million TEU (32 percent), the Azov-Black Sea basin – 604 thousand TEU (16 percent); thus, less than a third of all container cargo was imported through the Far Eastern ports. This seems quite logical: with sea freight being the cheapest mode of transportation, shipping by sea goes to the ports closest to consumers.[5] In Russia, the population and economic activities, as is well known, are concentrated in the European part of the country, and therefore the main cargo flow goes to the ports in the western part of the country. This situation is most likely to continue regardless of the country-specific structure of Russian imports.

At the same time, in the changing political and economic conditions, there is a good chance of redistribution of cargo flows from the sea ports of the Baltic basin in favour of the Azov-Black Sea, and not merely due to the growing role of the countries of the South in Russian imports. It is also because of an increase in the volume of food products in Russian exports, since the production of such goods is confined to the more southern agricultural regions of the country due to agro-climatic conditions. Moreover, the population growth rate in these regions is increasing due to the attractiveness of migration (primarily the Krasnodar Territory) combined with increased birth rate in the North Caucasus republics.

One can hardly count on the role of the eastern regions of the country in cargo transportation to increase, even if the role of railway transport grows. In recent years, there has been a lot of talk about China's Belt and Road Initiative (often referred to as the New Silk Road in Russia). It is a big project for China, because it not only provides infrastructure support of its foreign economic relations, but also enables economic development of the internal regions of the country. Therefore, China is not that interested in a direct access to Russia's Far Eastern regions (once again, marine transportation is cheaper). There are several options for the development of the railway system of the Silk Road, [3] with an outlet to Russia in the Urals, the Kurgan region. Thus, it is primarily the western regions of Russia that can benefit from the BRI project, which is good since the Kurgan region is one of the more problematic Russian regions (the GDP per capita in the region is more than two times lower than the average). The growing role of the Far Eastern regions in Russia's foreign trade relations can be linked to the economic development of the Far East itself, rather than to the reorientation of Russian foreign economic relations to the East. In recent years, the Russian federal spatial development policy has paid special attention to the Far East, and there is even a separate federal executive body – the Ministry for the Development of the Russian Far East and the Arctic. Though the effectiveness of the implemented measures to support investors in the Far East is controversial, these efforts are yielding certain results. For example, according to Rosstat, the share of the Far Eastern Federal District in the gross regional domestic product increased from 6.1 percent in 2016 to 6.5 percent in 2020.[6]

However, the increasing role of the Far East in oil and natural gas production has been especially clear even in recent years (Table 3). The shift in oil and gas production to the eastern regions of the country started even earlier. In 2005, Siberia and the Far East together still accounted for only 4 percent of oil production and 1.5 percent of natural gas production. Major pipelines were constructed in order to export raw materials to China and other Eastern countries, i.e. the Eastern Siberia–Pacific Ocean oil pipeline and the Power of Siberia gas pipeline. Therefore, it is no surprise that Russian-Chinese cooperation in the energy sector is the very element of foreign economic relations between the two countries that draws special attention (for details, see [6] and [26]).

Table 3

Oil and natural gas production by federal districts

Federal districts of Russia	2014	2015	2016	2017	2018	2019	2020
Oil production, including gas condensate							
Russian Federation	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Northwestern Federal District	5.5	5.7	6.2	5.9	5.7	5.6	5.4
Southern Federal District	1.8	1.7	1.8	2.3	2.6	2.6	2.6
North Caucasus Federal District	0.3	0.3	0.2	0.2	0.2	0.2	0.2
Volga Federal District	21.9	21.9	21.6	21.5	21.2	21.3	20.8
Ural Federal District	57.1	56.1	55.4	55.3	55.1	55.1	55.5
Siberian Federal District	9.1	9.3	9.6	9.6	9.6	9.2	8.8
Far Eastern Federal District	4.4	5.0	5.2	5.1	5.7	6.1	6.8
Production of natural and associated gas							
Russian Federation	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Northwestern Federal District	0.7	0.8	0.8	0.7	0.7	0.7	0.7
Southern Federal District	2.9	2.9	2.9	2.8	2.7	2.7	2.7
North Caucasus Federal District	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Volga Federal District	3.9	3.9	3.7	3.3	3.0	2.9	3.1
Ural Federal District	85.1	84.4	84.3	85.5	86.2	86.4	85.1
Siberian Federal District	2.4	3.0	3.0	2.8	2.5	2.4	2.4
Far Eastern Federal District	4.9	5.0	5.1	4.9	4.8	4.9	6.1

Source: Authors' calculations based on Rosstat data. – URL: https://rosstat.gov.ru/ (date of access: 01.11.2022)

Thus, in general, the impact of Russia's pivot in foreign economic relations on the global South has caused and will continue to cause some changes in the regional structure of the Russian economy. However, it is unlikely to fundamentally alter the picture of interregional differences, since the major cargo flows are tied to the main centers of population and economic activity in the country. Moreover, future transformations are determined not so much by structural changes in the geography of foreign trade, but by the logic of Russia's spatial development, namely the accelerated development of particular territories. At the same time, there will be great changes when internal and external factors have a synergistic effect. This may be, for example, the intensification of foreign economic relations with Türkiye at the time of growing significance of the Russian Black Sea regions, or the development of ties with China against the background of accelerated growth of the Russian Far East.

Foreign Direct Investment

The subject of foreign direct investment (FDI), including distortions in statistics due to offshore, has been repeatedly examined in various publications (see [4], [18, p. 9–10] and [19]). Therefore, for the purposes of this article, we will refrain from discussing in detail the significance of offshore capital in FDI. However, it is impossible to exclude offshore capital from general FDI data, since there are a large number of foreign investments from different countries made by de facto Russian companies. Moreover, not only Russian investors make use of offshore companies and attractive countries for business registration, for example, IKEA originated in Sweden but now is legally Dutch. At the same time, in order to obtain a complete and adequate picture, we should analyze FDI stocks by enlarged geographical and economic zones (Table 4), and more specifically, by countries that are not used merely for company registration.

Table 4

Inward FDI stocks in Russia by geographical and economic zones

Geographical and economic zones	01.01.2015	01.01.2020	01.01.2021	01.01.2022	2022 cf 2015
FDI in Russia, total	100.0	100.0	100.0	100.0	1.6
European Union*	76.8	70.2	61.2/67.2	59.7/65.0	1.3
Eurozone	73.3	62.7	60.2	58.8	1.3
OECD countries	50.7	44.8	45.8	44.4	1.4
EU countries – OECD members*	45.6	39.2	32.3/38.3	29.7/34.9	1.1
NAFTA/USMCA countries	0.8	0.9	1.0	1.1	2.2
OECD countries, outside EU and NAFTA, including UK (estimated)	4.3	4.7	6.6	8.4	3.2
EFTA countries	3.3	3.4	3.4	3.5	1.7
BRICS countries	0.8	0.8	0.5	0.6	1.4
APEC countries	2.7	4.1	3.8	3.9	2.4
ASEAN countries	0.3	1.0	0.9	0.8	4.5
CIS countries	0.5	1.8	1.7	1.6	4.9
EAEU countries	0.3	0.9	0.9	0.9	4.6
G20 countries	11.3	17.5	18.8	20.9	3.0
Countries in Africa, the Caribbean and the Pacific	6.0	4.7	4.6	4.3	1.2
OPEC countries	0.1	0.2	0.2	0.3	5.6
Countries of the Middle East and North Africa	0.1	2.6	2.4	2.9	78.7

*Second figure includes the United Kingdom (which left the EU) in the EU data

Source: Data from the Central Bank of Russia. – URL: https://www.cbr.ru/ (date of access: 01.11.2022) and the authors' calculations based on the data.

In general, the situation with FDI is quite similar to the situation with foreign trade. Naturally, radical changes started at the end of 2022, when many European TNCs were pulling out of Russia en masse. However, since exact data has not yet been published and the companies' departure from Russia may be politically motivated, we are going to rely on statistics from the beginning of 2022. It is also highly indicative; it includes, among other things, the figures from the first phase of the "war of sanctions" (from Crimea's unification with Russia to the beginning of the SMO in Ukraine). On the one hand, European countries continue to play a dominant role in investments in Russia. As Table 4 shows, investments from Europe even without Cyprus account for more than a third (see "EU countries – OECD members"). On the other hand, the role of European countries in the structure of FDI in Russia noticeably decreased over the years under consideration.[7] Furthermore, the following trends are noteworthy:

– Traditionally, the NAFTA/USMCA countries (USA, Canada and Mexico) play a small role in FDI in Russia (due to the geographical remoteness from Russia, among other things). Nevertheless, in recent years, their share in FDI in Russia has slightly grown.

– The share of other non-European OECD countries also increased (we did not exclude the EFTA countries from "OECD countries", since apart from Iceland, Norway and Switzerland, the group includes Liechtenstein, which is not yet a member of the OECD). Among them are such states as Colombia, Chile and New Zealand, whose role in investments in Russia is minimal, once again, due to geographical remoteness. South Korea, Türkiye and Japan made a noticeable contribution to the dynamics of the indicator, while the contribution by Australia and Israel was less noticeable.

– The share of the BRICS countries not only remained very small (especially given the total population of these countries), but even decreased. In other words, so far there has been no noticeable growth in Chinese and Indian investments at the statistical level. However, it should be noted that the volume of FDI from Asian countries may be understated in official Russian data.

– In recent years, the role of CIS countries in investments in Russia has increased, and not only the EAEU countries in general.

– The shift to the global South was reflected in the growing role of investments from the countries of the Middle East and North Africa.

Let us emphasize that investment ties between Russia and Latin America are developing especially poorly. If Russian FDI still shows sluggish yet positive dynamics due to isolated but promising large investment projects, then Latin American TNCs tend to avoid Russia. [10] At the same time, we would like to point out that Brazil is not the only Latin American country that is a significant exporter of FDI in the world. FDI stocks accumulated by Chile, Colombia and Argentina are comparable to those of average EU members.

Speaking about the impact of ongoing and future shifts regarding the distribution of FDI across Russian regions, it is similar to the situation with foreign trade, though has its own important characteristics. The unifying feature of the two types of foreign economic relations (foreign trade and FDI) is the fact that their regional structure is consumer-oriented. Numerous studies (see [9], [14] and [18]) show that the primary incentive for foreign investment in Russia is access to the large Russian domestic market. Thus, a significant part of investments go to the most densely populated regions in the European part of Russia, in the vicinity of the capital region and those with a focus on seaports (Baltic or Azov-Black Sea regions). Moreover, Chinese investments are no exception. At the beginning of 2022, the capital region (Moscow city and the Moscow region) accounted for almost a third of Chinese FDI; also, the Krasnodar Territory, the Lipetsk Region and St. Petersburg were at the top.

As is the case with foreign trade, FDI related to the oil and gas sector is specific, since funds are invested in regions with mineral deposits. In both cases – when focusing either on the consumer or on sources of raw materials – the pivot of Russian foreign economic relations to the global South is unlikely to have any significant impact on the distribution of FDI by the constituent entities of Russia. This is confirmed by the news of recent months: when investors from unfriendly countries exit Russia, it is often reported that their assets are being purchased by other foreign entrepreneurs,[8] which means keeping existing production and trade facilities where they are.

The border location is of particular importance in the development of foreign economic relations. The so-called neighbourhood effect is even more significant in FDI than in foreign trade, where the coastal location, or more precisely, the presence of seaports is more essential (although border trade is also developing). It is clearly visible in the distribution of Chinese FDI by Russian regions: among the 12 regions shown in the table, four out of five regions with considerable Chinese investment are Far Eastern (Trans-Baikal Territory, Khabarovsk Territory, Amur Region and the Republic of Buryatia). Therefore, the neighbourhood factor can impact the growth of investments in Russian regions from nearby countries, though remaining an additional factor, with the major one being consumer focus.

Table 5

Leading regions in terms of FDI stocks from China at the beginning of 2022

Subjects of the Russian Federation	Investment volume, million dollars	Share of Chinese investments in Russia, percentage
Total	3 313	100.00
Moscow city	920	27.76
Trans-Baikal Territory	585	17.65
Krasnodar Territory	357	10.79
Amur Region	280	8.45
Moscow Region	156	4.72
Saint Petersburg city	86	2.59
Lipetsk Region	71	2.13
Novosibirsk Region	25	0.75
Volgograd Region	19	0.57
Republic of Buryatia	16	0.49
Sverdlovsk Region	12	0.36
Khabarovsk Territory	11	0.32

Source: Data from the Central Bank of Russia. – URL: https://www.cbr.ru/ (date of access: 01.11.2022) and the authors’ calculations based on the data.

Detailed studies support abovementioned patterns of FDI distribution, examining individual countries that are of the greatest interest today, such as China (see [16]), India (see [15]) and Türkiye (see [13] and [17]).

We need to rely on the experience of "pioneers" in order to successfully develop ties with countries that are still little known to Russian business, especially African ones; moreover, these pioneers may also be from neighbouring regions, especially if they officially promote their role in development bilateral dialogue with Russia. In this regard, the example of honorary consuls is, in most cases, highly illustrative. They are Russian entrepreneurs who have some experience doing business in the countries in question. For example, it is no coincidence that the only Honorary Consulate of the Democratic Republic of Congo in Russia was opened in Yekaterinburg. The consul is the head of the *MidUral Group*, controlling a niobium deposit in the Democratic Republic of Congo, which is not the most business-friendly African state, but extremely promising due to its natural resources and growing sale market. Prospective contacts can also be established through chambers of commerce and industry and other institutional business structures. At the same time, there can be a variety of incentives for boosting foreign trade and investment activities of certain regions, starting by establishing direct air links with the key economic center of a relevant state.

Education Exports

The export of education (in other words, the training of foreign students in Russian universities), occupies a special place in Russian foreign economic relations; in political science research, it is often referred to as a tool of "soft power" (see [2] and [22]) and as one of the components of the regional economy (see [1], [20] and [21]).

There have been publications of detailed collections of statistics on the number of foreign students by university.[9] Basic aggregated data by constituent entities of Russia from the Ministry of Internal Affairs is presented below. Table 6 shows 18 countries for which the number of migration registration facts of foreign citizens with study as the purpose of entry exceeds 5 thousand and 20 subjects of Russia with over 10 thousand foreign students.

Table 6

The number of migration registration facts of foreign citizens and stateless persons at the place of stay with study as the purpose of entry

Countries	Number of facts	Share, percentage	Subjects of Russia	Number of facts	Share, percentage
Overall by country	633 466	100.0	Moscow city	99 497	15.71
Tajikistan	82 150	12.97	Saint Petersburg and Leningrad Region	68 950	10.88
Uzbekistan	76 049	12.01	Republic of Tatarstan	44 386	7.01
Kazakhstan	75 738	11.96	Moscow Region	26 164	4.13
Turkmenistan	53 888	8.51	Sverdlovsk Region	17 461	2.76
Egypt	50 308	7.94	Tomsk Region	13 760	2.17
Kyrgyzstan	39 288	6.20	Novosibirsk Region	13 417	2.12
India	39 068	6.17	Samara Region	11 933	1.88
China	21 855	3.45	Krasnodar Territory	11 884	1.88
Armenia	16 112	2.54	Omsk Region	11 864	1.87
Ukraine	12 971	2.05	Astrakhan Region	11 772	1.86
Azerbaijan	11 769	1.86	Chuvash Republic	11 736	1.85
Belarus	10 470	1.65	Republic of Bashkortostan	11 393	1.80
Morocco	10 148	1.60	Rostov Region	11 392	1.80
North Korea	8 969	1.42	Volgograd Region	11 266	1.78
Iraq	8 403	1.33	Belgorod Region	10 839	1.71
Syria	7 798	1.23	Voronezh Region	10 452	1.65
Moldova	6 651	1.05	Chelyabinsk Region	10 203	1.61
Vietnam	5 133	0.81	Nizhny Novgorod Region	10 080	1.59

Source: Data from the Ministry of Internal Affairs of Russia. – URL: https://mvd.ru/ (access date: 01.11.2022) and calculations based on the data.

As far as the distribution of foreign students by country is concerned, the patterns predictably differ from that of foreign trade or FDI: the CIS countries and the global South are at the top of the list. This is due to the prevalence of the Russian language, historical ties and a number of other factors (for example, a slightly different regional pattern of the distribution of foreign students). The capital region still in the lead (the total share of Moscow and the Moscow Region is about 20 percent), but not so clearly; other regions with large universities also play a significant role. In terms of federal districts, the Central Federal District ranks highest with 200.9 thousand facts of migration registration for study purposes (31.7 percent). The Volga Federal District is second with almost 144.9 thousand facts (22.9 percent), followed by the Northwestern (85.9 thousand), Siberian (66.2 thousand), Southern (58.4 thousand), Ural (43.0 thousand), North Caucasian (18.0 thousand) and Far Eastern (16.1 thousand) Federal Districts.

There are also common patterns between the export of education, foreign trade and FDI, such as the special role of border regions,[10] where the number of foreign students is higher. Since the export of education is no longer associated with countries unfriendly to Russia, there should be no changes in the pattern of the distribution of students among the country's universities (the only exception is Ukraine, which will likely lead to reduction in the number of foreign students in the Belgorod and partly Voronezh regions). A certain impetus is possible only if Russia profoundly strengthens its ties with the countries of the global South in the field of R&D or at the very least applied data analytics (which is vital for social sciences and humanities) [25] and technological cooperation of the business structures.

Conclusion

In conclusion, reorientation of Russian foreign economic relations to the global South generally leads to certain shifts in the regional structure of the Russian economy. However, these shifts are not dramatic and will likely remain so in foreseeable future, which is due to two circumstances. First, despite the increasing role of the countries of the global South both in foreign trade and FDI in Russia, unfriendly countries continue to occupy a dominant position, primarily due to their social and economic development being higher. Moreover, there is no question about their full-scale departure or severing economic ties even in the current circumstances. Second, and even more important, the development of geography of both foreign trade and FDI depends little on partner countries. Regardless of their geographical location, the import of goods to Russia and the distribution of FDI in its territory are primarily determined by the consumer factor (importers focus on the ports closest to consumers, while investors concentrate on large sales markets). The export of raw materials and food, as well as the participation of investors in raw materials projects is determined by the location of the producing fields and agro-climatic conditions. However, foreign students come to study at established university centers in any case.

At the same time, the border location proves to be an important exception: cross-border trade is developing; the neighbourhood effect is also observed in both FDI and the export of educational services. This once again proves that the state spatial development program needs to further promote cross-border cooperation, which is not yet characteristic. [12]

Possible shifts in the regional structure of the economy are going to take place simultaneously due to Russia's turn to the global South and internal transformations, that is, the accelerated development of the country's Far East and South. However, while the Far Eastern state policy has been actively developing in recent years, the "southern vector" is only starting to take shape.[11]

It is no doubt that the training of the necessary personnel should be an important part of the state policy for developing contacts with the countries of the global South. Traditionally, Oriental and African studies were considered an “elite” specialty, and therefore specialists were trained primarily in Moscow and St. Petersburg. Moreover, after the collapse of the USSR, Russia lost some of its foreign policy ambitions, and even language training in this area dropped noticeably. However, large-scale contacts of Russian regions with the countries of Asia and Africa, as well as Latin America, require a large number of specialists in any constituent entity of Russia, which means everywhere; specialists must have knowledge of the specifics of doing business in these states and at least minimal language training. It is certainly possible to send specialists trained at metropolitan universities to the regions, though it also requires elaborate incentive mechanisms for young personnel.

Given the shortage of managers and experts in Russia at present, it would be expedient to address this problem more closely in several test regions, including those in Siberia and the Far East. It would probably be better to choose those federal subjects that already have a certain potential for intensifying ties with the countries of the global South and East. For example, the capital of Primorye Vladivostok tops the list for the number of consulates general, embassy departments, and trade mission branches of Asian countries in the Russian East. There are representative offices of Vietnam, India, China, Mongolia, North Korea, Kyrgyzstan and Uzbekistan, as well as “unfriendly” South Korea and Japan; there are also honorary consuls of Bangladesh, Indonesia, Laos, Malaysia and the Philippines.[12] Moreover, investors from several Asian countries have established and successfully run enterprises in the Primorsky Territory.

Summing up, we should once again point out that the pivot of the Russian economy to the global South and East is a truly complex state mission. It is impossible to accomplish it only through a limited set of means, be it within the framework of foreign economic policy, in the educational sphere or in area of regional development.

Notes

1. At the same time, the authors of this article rightly point out that while transformations within the framework of changing international political and economic relations are obvious, the consequences of changes in federal Far Eastern policy and Eurasian integration require further elaboration.
2. This type of cross-border trade in services is most clearly reflected in Russian statistics that have a geographical breakdown.
3. Government Directive No. 430-r of March 5, 2022 (amended on 29 October, 2022) "On approval of the list of foreign states and territories involved in unfriendly activity towards Russia, Russian companies and citizens." This list includes EU member states, the United Kingdom and the British Overseas Territories, Switzerland, Norway, the US, Canada, Australia, Japan, South Korea, Singapore, Ukraine, as well as such minor trading partners of Russia as Albania, Andorra, the Bahamas, Iceland, Liechtenstein, Micronesia, Monaco, New Zealand, San Marino, North Macedonia, Taiwan (the Republic of China) and Montenegro.
4. Prikhodko E. (2016). China as the origin of Russian container cargo flows [Kitai kak tsentr zarozhdeniia rossiiskikh konteineropotokov] // Sea Ports. No. 5. – URL: https://morvesti.ru/themes/1700/63704/ (date of access: 01.06.2022)
5. This is confirmed by the commercial offers of companies importing Chinese cargo to Russia: they suggest marine shipping as a preferred means of transportation, offering to deliver cargo not only to Far Eastern ports. According to the Association of Commercial Sea Ports statistics, in 2017–2020, road freight from seaports was 2.2–2.4 times as much as rail freight; and only in 2021 the figure dropped to 1.8 times.
6. Within comparable boundaries, figures for all years for the Republic of Buryatia and the Trans-Baikal Territory are included in data for the Far Eastern Federal District.
7. Unfortunately, the Central Bank of Russia provides data on the constituent entities of Russia and on the distribution of FDI by geographic and economic zones only starting from January 1, 2015 (after the initial reaction of foreign investors to the unification with Crimea). However, the dynamics of FDI for the subsequent years is also interesting, since it allows us to trace the course of events in the new conditions of the "war of sanctions."
8. For example, according to media reports, the plant of the famous Finnish coffee manufacturer *Paulig* in the Tver region was bought by an Indian citizen who is a top manager of *Milagro*.
9. Export of Russian educational services: Statistical collection [Eksport rossijskih obrazovatel'nyh uslug: Statisticheskij sbornik] (2020). // Ministry

of Science and Higher Education of Russia. The Pushkin State Russian Language Institute. No 10, 557 pp. (In Russian); as well as similar collections for other years.

10. For a specific example of this see [7].
11. The fact that the South of Russia requires special attention is discussed in [5].
12. Representative offices of foreign states in the Primorsky Territory. – URL: https://vladivostok.mid.ru/ru/help/predstavitelstva/ (date of access: 01.11.2022).

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DMITRY EFREMENKO. CONSOLIDATION OF THE WORLD MAJORITY: EXPANSION OF THE SCO AND BRICS, ITS SIGNIFICANCE FOR THE TRANSFORMATION OF INTERNATIONAL ORDER AND GEOPOLITICS IN THE NEAR AND MIDDLE EAST

Keywords: World Majority; Global South; Shanghai Cooperation Organization; BRICS; crisis of the unipolar world order; Near and Middle East; soft balancing; transformation of the world economy.

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