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Change of the Economic Model of Russia's Development as a Response to the New Geo-Economic Reality

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ABSTRACT

The sanctions war against Russia unleashed by Western countries led by the United States forms a new geopolitical reality for the country. In fact, an economic war has been declared against Russia, the main instruments of which are the country's cut off from the global financial system, the closure of the most important markets for the Russian main export products and the embargo on the machinery and equipment import to the country, which is essential for various sectors of the Russian economy. The sanctions imposed on the country pose both short-term and long-term threats. The first ones are associated with the degradation of the current economic situation, but can be overcome within a few years. The other ones may have delayed but deeper negative consequences for the economy, as they are aimed at undermining its technological competitiveness and investment process, thus increasing the threat of the prolonged stagnation of the national economy. Overcoming such threats takes a long time and transformation of the country's export-oriented raw material model of the economy based on the activation of structural, scientific, technological and investment policy. The article discusses possible approaches to the implementation of such a transition.

Keywords: sanctions; systemic threats; scenarios of socio-economic development; structural priorities; credit issue

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INTRODUCTION

Following Russia's recognition and declaration of the independence of the DNR and the LNR on 21 March 2022 and the launch of a special military operation (SMO) in the Ukraine on 24 February 2022, the US, the EU, and several other countries imposed a new package of economic sanctions, continuing the sanctions policy initiated in 2014 in connection with the return of Crimea to Russia.

The new sanctions have affected the financial sector, foreign trade operations, scientific and technological cooperation, and a number of foreign companies have ceased or suspended their activities in Russia. The sanctions have been introduced in portions (or packages), successively expanding the sub-sanctioned activities, the number of organisations and the range of individuals subject to certain restrictions. The main

centres of sanctions activity are the US, the UK, the EU, supported by Australia, Canada, Japan, and South Korea.

A tenth package of sanctions and restrictions is now on the way, covering: Russian sovereign debt; the Russian Direct Investment Fund (RDIF); the Bank of Russia and systemically important banks; the Russian oil and gas sector; exports to Russia of dual-use technologies and goods, high-tech products, machinery and equipment for investment purposes; transport; exports from Russia of oil and petrochemical products and natural gas, including ceiling export price restrictions, chemical and metallurgical products; termination or suspension of foreign companies' activities in the Russian Federation in various sectors of the domestic economy; restrictions on links in the fields of culture, science and sports.

In essence, therefore, this could be an attempt to impose a full-scale blockade of the Russian economy by the US, the EU, Japan, Australia, South Korea and other countries with a pro-Western attitude. The purpose of such pressure is to destabilise the economic and domestic political situation in the country, stimulate the growing dissatisfaction of Russian citizens with the sovereign foreign policy course pursued and bring to power a pro-Western oriented leadership. At the same time, despite the fact that the Russian economy seems to have coped with the financial and technological blitzkrieg from the alliance of the Western countries in 2022, a large-scale sanctions attack on it **contains a whole system of risks and threats of a rather long-term nature, forming a new geo-economic reality for the country.**

SANCTIONS RISKS AND THREATS

First of all, **the threat of prolonged stagnation of the Russian economy** should be noted. Despite the fact that in the previous year of 2022 the economic recession is estimated at only 2.5% of GDP (which is much lower than the 8–12% expected by experts last March), the ruble has remained stable and inflation, although approaching 12%, has been much lower than forecasted, one should not count on a rapid recovery of economic dynamics.

The threat of stagnation of the Russian economy in the medium term (until 2025) is predetermined by the nature of the recession. It is linked not to a cyclical crisis caused by a strengthening of internal structural imbalances, but to external shocks (total sanctions), which are likely to be of a long-term nature. In the medium term, economic stagnation will be influenced by a number of factors.

First, as the sanctions crisis is caused by external geopolitical motives, economic

uncertainty will remain high until they are depleted. However, in the current geopolitical realities, it is difficult to imagine that this is possible before 2024. **Moreover, the end of the military phase of the conflict in the Ukraine will not automatically lead to the lifting or serious easing of the economic sanctions. Therefore, it would be more realistic to assume that the economic sanctions against Russia will remain in place for quite a long time, which means that the reasons that gave rise to the crisis may also become protracted.**

Secondly, the relatively favourable economic results for Russia last year were caused not only by adequate measures taken by the Central Bank and the government, but also by a favourable pricing environment for energy resources exported from Russia. **Most likely, the conjuncture and conditions may already worsen this year due to the high probability of a slowdown of economic dynamics in the world, primarily in the EU, the USA and China, which will restrain the price dynamics of exported energy resources and other commodities and raw materials as well.**

Thirdly, the most sensitive sanctions (primarily the rejection of Russian energy imports) are only just beginning to be implemented. Even if the geopolitical situation improves, one should not expect this increasing trend to change. **It should probably be understood that Russia is losing the European gas market (around 100 billion cubic meters) and that re-orientation towards Eastern markets will take time and require significant investments.**

Fourth, oil and gas revenues, which accounted for 25.7% of the federal budget in 2020, will decrease due to the reduction of revenues from energy exports, while oil and gas revenues themselves decreased by



2.8 trillion RUB compared with 2019.¹ At the same time, the reduction in budget revenues will take place against a backdrop of the need to increase spending related to the SMO, the reconstruction and integration into the Russian space of a number of former Ukrainian regions. In turn, this will limit the resource opportunities for financing budget expenditure items (related to the fulfilment of social obligations of the state), which will constrain the growth rate of real household incomes and, consequently, limit demand from households and the possibility to stimulate economic growth by increasing consumer demand through intensive lending to the population (as was the case in Russia in previous years). As a result, public investment, including in transport and other infrastructure, will remain the main factor supporting demand.

Fifth, restrictions on exports of technological investment equipment to Russia **will restrain the dynamics of investment in fixed capital and impede the technological modernisation of the national economy.** According to estimates by the Centre for Macroeconomic Analysis and Short-Term Forecasting (CMASF), the share of imports from the countries that have announced restrictive measures (the US, the EU countries, Canada, the UK, Japan, South Korea, etc.) in Russia's total final consumption of goods and services is 3.9%. The pharmaceutical industry is likely to be most affected by the sanctions: the share of pharmaceuticals from the countries that have imposed restrictions accounts for almost half of Russia's total final consumption of pharmaceutical products (48.2%). In second place — is the chemicals and chemical products sector (44.7% of final consumption hit by the sanctions), and in third place — is the production of aircraft,

ships and railway locomotives (32.2%). Significant dependence on imports from sanctioned countries is also observed in the automotive industry (27%), the manufacture of rubber and plastic products (26.8%), paper production (19.9%) and electrical equipment (19.4%). The situation is aggravated by the transport blockade, which affects Russian maritime, aviation and road transport.²

In the short term, the most severe impact of the sanctions is the reduction of critical imports — electronic components, pharmaceuticals, intermediate products for the automotive and aircraft industries. A reduction in the supply of such products poses the threat of a sharp decline in output and, in some cases, — of production stoppages, which ultimately affects the GDP, employment and household incomes alike. In addition, this situation provokes a surplus of demand over supply and hence an increase in prices.

In the medium term (but with long-term consequences), restrictions on the supply of investment equipment and technology for a fairly wide range of sectors of the Russian economy will begin to have a significant impact. Sanctions pressure in the technological sphere is mainly manifested in the form of limiting Russia's access to imports of high-tech goods and technologies (more than 50% of imports from non-CIS countries), blocking the activities of major Russian enterprises, the withdrawal of foreign high-tech companies from the country, the suspension of scientific and technological cooperation on international projects and Russia's membership in a number of international companies.

The purpose of these sanctions is to undermine the country's technological strength, reduce the competitiveness of the

¹ URL: https://minfin.gov.ru/common/upload/library/2019/12/main/Budzheta_dlya_grazhdan_2020-2022.pdf

² The calculation was based on FCS data on imports into Russia and the Rosstat inter-sectoral balance sheet for 2019 (goods and services usage tables). URL: <https://www.rbc.ru/newspaper/2022/03/21/623323de9a79475581a199ea>

domestic economy, strike a blow to strategic industries (including the development of the defense industry, the aerospace industry, and the shipbuilding complex), and slow down the development of sixth-technology paradigm — artificial intelligence, quantum computing, etc. The sanction measures are intensifying the threat of Russia's technological isolation and are fraught with an outflow of highly qualified personnel and scientists, undermining the potential for increased competitiveness.

In addition, a trade embargo, combined with the loss of access to global financial markets, would limit access to investment resources. It is not so much a question of financial resources as of the material and technological content of the investment process. The degradation of industrial potential in the post-Soviet period has led to a high dependence (70–80%) of the investment process on imported equipment, the scale of which was estimated at RUR 5.6 trillion for 2020, while the output of investment products [machinery and equipment, electrical equipment, transport vehicles and equipment (except for automobiles)] barely exceeded RUR 4.7 trillion.³ Such dependence on imported machinery and equipment means that the reproduction process is closed to foreign markets in terms of obtaining the necessary means of production and maintaining them in working order through imports. The embargo on supplies of this equipment to Russia, which in the atmosphere of anti-Russian psychosis quickly spread not only to the circle of sub-sanctioned (oil and gas sector, energy, defense industry), but also to other sectors, already in the next one or two years may start generating problems associated with the lack of real resources to effectively operate such equipment and maintain pre-sanctioned production volumes.

³ Estimates are based on data from "Investment in Russia 2021"; "Russian Statistical Yearbook 2021".

All this will have a negative impact on the pace of economic dynamism in various sectors.

Neither should high expectations be placed on the so-called parallel imports. The operation of sophisticated investment equipment requires technological support (advice), quality repairs, and reliable access to spare parts, which is difficult to ensure with bypassed supply schemes. A shortage of imported components or their replacement with less productive domestic products inevitably raises unit costs for enterprises.

Thus, the economic sanctions imposed by Western countries in the technological sphere are the most painful for Russia, as they may have a long-term negative effect, increasing the threat of technological degradation of production capacity and a decline in the competitiveness of manufactured products. Many sectors that have lost access to technological innovation and high-performance machinery will inevitably experience a drop in efficiency and productivity, which, against the background of demographic constraints, may again constrain economic growth potential.

However, it should be borne in mind that, in fact, the above-mentioned sanctions risks and threats are a consequence (aggravation) of the risks and threats generated by the raw materials export-oriented economic model that emerged in the 2000s and still operates in Russia. It is characterised by low rates of economic dynamics, a flawed economic structure and technological dependence of its civil industries, weak investment, and innovation activity, as well as an open financial system that contributes to a steady outflow of capital from the country [1].

The openness of the Russian financial system was a necessary prerequisite for an export-oriented economic model built on the basic principles of the Washington Consensus. Such openness had multidirectional consequences for the development of the



domestic economy. On the one hand, the introduction of internal convertibility of the national currency in 1992 was seen as the most important instrument for ensuring openness of the economy and attracting foreign investments into it. Foreign investments actively entered a number of highly profitable sectors of the Russian economy — oil extraction, food industry, automotive industry, trade, consulting and insurance, banking, etc. At the same time, convertibility, which was not based on increased competitiveness of the national economy, meant a change in the Central Bank's emission policy. While in the Soviet period the size of emission was linked to the scale of economic turnover and was provided by all resources involved in it, then convertibility implies a strict linkage of the emission scale to the dynamics of currency revenues in the economy and depends on the size of exports and external lending to the economy through commercial loans and financial markets. Since the openness of the Russian economy was not based on the growth of its competitiveness as a result of structural and technological modernisation, the emission was based on the export capacity of a narrow group of industries: fuel and energy, metallurgy, basic chemistry, as well as currency inflows to the financial market from external investors. Strictly speaking, the country's financial system was "hooked" on a "currency needle", generating its high vulnerability to external shocks and chronic monetary anemia in the whole economy with a significant scale of capital export from the country, the volume of which, according to some estimates, could reach USD 200 billion in 2022. If one assesses the real results of Russia's thirty years of functioning in the global financial system, it is likely to have had a negative impact, preserving, and deepening the structural disproportions of the Soviet economy that were formed by the early 1990s and further complicating conditions for adapting the national economy

to the new realities of global competition. The sanctions introduced in 2022 against Russia's financial sector essentially push the country out of the global financial system based on the US dollar and the international financial institutions under their control, which is an additional serious challenge for Russia, which requires an adequate response in the form of the formation of a sovereign monetary system of the country.

SCENARIO OPTIONS AND DEVELOPMENT CONDITIONS

At present, it is still difficult to make predictions about the timing of the end of the Russia-Ukraine conflict and its consequences for the Russian economy. The duration and depth of the sanctions-induced recession of the Russian economy will depend on the duration and ferocity of the military phase of the conflict itself and the format of its conclusion. One should not exclude the possibility of its extension beyond 2023 and even expansion through the involvement of new participants from the neighbouring NATO countries with increased logistical support from the leading countries of the alliance — the US, England, Germany, and others. In this case, the country may face the task of expanding the mobilisation tools in the economy in order to increase the scale of centralisation of resources for the continuation of military confrontation.⁴

⁴ Economic mobilization (from Fr. Mobilizer — to set in motion) — a set of measures to ensure the transfer of available economic resources to a special mode of functioning, usually associated with wartime. Essentially, the mechanisms of mobilization economy mean limitation of free distribution (movement) of economic resources on the basis of market mechanisms and strengthening of administrative tools of distribution of material, labour, financial and currency resources in order to increase military potential. In a broader sense, economic mobilization can mean the formation of mechanisms for the concentration of economic resources for the early achievement of other (nonmilitary) priorities of economic policy, associated with the acceleration of economic dynamics, structural and technological modernization of the national economy, overcoming other threats to national development.

Another possible scenario would be the fading of the acute phase of the military conflict by 2024 and reaching agreements with the West on recognising the status quo that satisfied Russia at that time, formally retaining the main sanctions restrictions, their subsequent gradual “erosion” and the return of the Russian economy to the economic dynamics trend that existed before the aggravation of the Ukrainian crisis. In essence, we are talking about the restoration or continuation of the Russian economy in the format of the existing pre-crisis raw materials model with the replacement of European foreign economic partners by Eastern ones, but with the preservation of a number of economic challenges and threats, which had been formed before the conflict escalated and will not disappear by themselves with the end of the military phase of confrontation in the Ukraine.

Thus, a return to the inertial scenario would most likely mean that the existing structure of the Russian economy would be preserved in the long run, as well as a lower contribution of technological progress to GDP growth than the 2000–2019 average. In addition, negative demographic trends must be taken into account, which will not be compensated by productivity growth. Such processes, especially under conditions of external economic constraints, will probably not accelerate the pace of economic dynamics or improve the level of competitiveness of the Russian economy.

If we assess the longer-term outlook beyond 2025, a return to the inertial scenario of economic development would probably lead to a further faltering of the economic dynamics of the Russian economy. According to estimates of the Institute of Economic Problems of Russia of Russian Academy of Sciences, under the inertial scenario of Russia’s economic development the average annual growth rate of GDP may decline in 2021–2025 from almost 2% to 1.2%; in 2026–

2030 it will not exceed 1.7%, and in 2031–2040 it will decline to 1.6% [2]. Such dynamics can hardly be assessed as acceptable against the background of the economic growth rates of Russia’s new major economic partners in the East — China and India, which are likely to remain much higher (4–6% of annual GDP growth) in the long term. Consequently, Russia needs to focus on similar rates of economic growth to maintain its relative economic strength.

AN ECONOMIC MODEL FOR THE NEW REALITY

In order to accelerate the average annual rate of economic dynamics (GDP growth) to at least 3–4% of the global average after the end of the acute phase of the conflict, the Russian economy will have to be placed on a qualitatively new trend of socio-economic development based on its large-scale structural and technological modernisation, and measures to overcome the existing structural imbalances, which form the main risks and threats to the dynamic socio-economic development of the country, will be intensified. In its turn, this requires a significant increase in the efficiency of the investment framework of the economy. This improvement should affect the process of formation of structural and technological priorities of investment activity and the system of incentives for its activation of economic entities, as well as financial mechanisms of its provision [3]. Despite the fact that the need to change the existing model of national economy functioning has been noted in the scientific and analytical community for quite a long time, the consensus positions necessary for the practical implementation of its long overdue transformation have not been formed on many issues [4–6].

First of all, there is still no “image of the future” for Russia, on the basis of which it is possible to specify the targets of the structural



turnaround of the Russian economy (taking into account our country's place in the Eurasian system of labor division and the prospects of forming new reproduction chains in the eastern direction) and identify key foreign economic partners and resources. The most important tool in this process should be the *elaboration of a long-term Strategy for socio-economic development of the Russian Federation for the period up to 2035*, which should outline the main directions and strategic approaches to socio-economic development of the country in the new geopolitical and geo-economic realities. In order to achieve the goals of such a Strategy, it is necessary to implement programmes that include a set of tools for public policy in priority areas and sectors of the economy, as envisaged in the Federal Law No. 172 "On Strategic Planning in the Russian Federation", which was adopted back in 2014 but has never been applied in practice. The implementation of the Law will improve the quality of *strategic management* of economic development based on the formation of a well-functioning effective system of planning and forecasting, including risk assessment (consequences of implementation) of project decisions, as well as a mechanism for the coordination of sectoral, private, and regional interests, subordinated to the interests of the development of the country as a whole.

It should be noted that in the emerging new geo-economic reality the main directions of structural modernisation of the Russian economy that have been repeatedly announced – remain relevant. First, it is the formation of the core industries of a new promising technological mode on the basis of nano-, bio-, information and cognitive technologies (NBIC-technologies) as the basis for maintaining the necessary level of defense capability and geopolitical sovereignty of the country, as well as its positioning in new promising product markets [7]. The large-scale digitalization of various spheres of activity

that is unfolding in the country affects only one of the basic areas of transition to the new technological mode, which includes a broader set of basic technologies. In addition, the scale of digitalisation in Russia will be constrained by the high dependence on imported software solutions and IT equipment. Moreover, digitalisation in the manufacturing sector of the Russian economy may be constrained by a high dependence on imported technological equipment and technologies with appropriate software [8].

Secondly, it is large-scale import substitution in the production of machinery and technological equipment for the main sectors of the national economy in order to ensure technological sovereignty and reproduction process on its own technological basis [9]. Finally, it is an increase in the depth of processing of exported fuel and energy and raw materials to improve export efficiency.

If the investment process is significantly intensified and the share of investment in non-financial assets (primarily in the fixed capital of the manufacturing sector) is increased, the task of large-scale structural modernization of the Russian economy will take quite a long time (it is unlikely to be less than a decade). As a reminder, presidential decree No. 474 of 21.07.2020 "On the national development goals of the Russian Federation for the period until 2030" provided for an increase in capital investment by 2030 by 1.7 times, or by RUB 14.7 trillion in current prices. In terms of annual averages, this implies an annual increase in investment during the decade of not less than 5.5%, or 1.5 trillion RUB per year. Such dynamics is, of course, difficult to be seen as an investment boom, although it implies a one-and-a-half-fold increase compared to 2010–2020 (RUB 1.01 trillion.).⁵

⁵ Calculated based on data from «Russia Investments 2021». URL: https://gks.ru/bgd/regl/b21_56/Main.htm

It is important to pay attention to the sectoral structure of investment in fixed capital by type of activity. Thus, in 2020, investments in manufacturing accounted for only 14.6% (RUB 2.94 trillion) of total investments in fixed capital (having increased by 35% in current prices from 2015), while total investments in non-financial assets increased by 44.7% over the same period.

If we consider the dynamics of investment in the breakdown of the activities forming modern civil engineering and machine building and equipment and instrument-making, they increased by only 5%, from 405.5 to 429 billion roubles, and their share in total investment in industry decreased from 8.9% to 6.9% over the period 2015–2020. At the same time, investment in machinery and equipment production has steadily declined since 2015 in current prices, from RUB 82.1 billion to RUB 60.8 billion over the entire period. Accordingly, their share of total investment in Russian industry fell from 1.8% to 0.97%.⁶ A similar situation was observed in other technologically intensive activities — production of computers, electronic and optical products, electrical equipment and motor vehicles. With such investment activity, it is not surprising that the results of import substitution in civil machine building and instrument making since 2015 are more than modest.

The transition to a new economic development model for the Russian economy involves the creation of an effective **system of incentives for innovation and investment by business entities**. The key objective of economic policy is to create an environment that motivates businesses to invest and innovate as the main tools for ensuring dynamic and sustainable growth of competitiveness and profits.

⁶ Calculated based on data from «Russia Investments 2021». URL: https://gks.ru/bgd/regl/b21_56/Main.htm

This should be facilitated by an effective system of tax incentives for investment and innovation costs and a targeted tax impact on the distribution ratio of profits allocated by producers for consumption and investment [10].

In our view, incentives for investment and innovation activities can be provided by introducing a special investment tax deduction (up to 50% of taxable income) while raising the nominal income tax rate to 28–30%. Thus, the real rate of profit taxation in the case of an investment deduction could be reduced to 14–15%. The investment deduction can be set aside in special investment accounts of business entities with their regulated use for investment purposes.

Transparency of the costs and results of economic activity and the withdrawal through taxation of excess profits of a rent-seeking nature, which are not related to the growth of the scale and efficiency of such activity, become important for the formation of a system of incentives for investment and innovation. A tool for ensuring such transparency could be an intensified pricing policy for products of the fuel and energy complex, as well as metallurgy, chemical industry, construction, and other materials that form costs in the manufacturing sector of the economy. For such products, “benchmark prices” could be determined taking into account real reproduction conditions (production cost plus economically justified profit), which do not replace market prices but are used to determine real volumes of taxable profit formed in the conditions of product sales at real market prices.

The establishment of such a principle of price formation for commodities and semi-finished goods will allow, based on the existing cost structure, to reduce the costs of manufacturing products and significantly increase their price competitiveness on domestic and world markets.



A transition to a policy of active support for large-scale structural and technological modernisation of the Russian economy will require a drastic increase in fixed capital investment in the real sector, mobilisation of financial resources to finance expanded investment programmes.

The financial sanctions imposed on Russia and impeding obstacles to the possibility of normal functioning of its economy in the global financial system, dictate the need to build a sovereign monetary policy focused on financial support for structural and technological modernisation of the national economy, sustainable and dynamic rates of economic growth [11].

The scale of investment lending can be dramatically expanded within the framework of the *formation of a special investment financial framework on the basis of specialized state development institutions (in fact, specialised investment banks)*, which would finance large-scale investment projects in the priority areas of the national economy on the credit basis [12].

This could involve a significant increase (by trillions of roubles) of the scale of targeted lending for priority investment projects through specialised development institutions, as already practiced by the Bank for Development and Foreign Economic Affairs, the Industrial Development Fund, etc. Refinancing of such institutions could be carried out by the Central Bank by buying up debt bonds issued by them against government guarantees and crediting the volume of such issuance to the internal government debt, which would be serviced out of current federal budget revenues. Since the increase of domestic debt is funded by credit (repayable) resources, the mechanism of repayment of debt obligations of development institutions to the Central Bank is built into the lending scheme itself, and the overall scale of such a targeted credit issue must be limited to the

size of real investment resources (equipment, raw materials, foreign exchange resources) available in the economy for the selected investment projects.

Financing of specific investment projects is based on joint participation (shared co-financing) of the state development institution and private investors. The development institutions in this scheme act as a qualified lender – an intermediary between the issuing centre and the private investors, and the debt obligations of the project eventually fall on the private investors, who become the owners of the created assets after all debt obligations are repaid.

In addition, it is necessary to implement a range of measures to ensure the transparency of cash flows, the formation of costs and results, and to limit currency speculation and capital flight abroad. All of the above-mentioned conditions should be formed within the framework of general transformation of the existing economic model in the direction of increasing the business interest in enhancing investment and innovation activities.

At the same time, in the medium term there is a growing urgency to establish an alternative parallel to dollar system of international settlements. In such a system, using national currencies of interested countries as exchange rate instruments, a basket of other hard currencies could be used, including IMF special borrowing facilities, gold, and a set of strategic raw commodities.

CONCLUSIONS

The large-scale economic sanctions imposed on the Russian Federation, covering the financial and foreign trade spheres, are creating a new geo-economic reality for the Russian economy, creating new and increasing previous threats to the socio-economic development of the country. In essence, we are faced with a choice problem. If we leave aside

the remaining probability of an extension or prolongation of the acute phase of open confrontation with NATO countries in the Ukraine and the need to shift the economy to mobilisation conditions, two scenarios for the development of the Russian economy remain. The first involves the reproduction of the established export-oriented raw materials model of the economy with a reorientation from Western partners to Eastern neighbours with the reproduction of all structural risks and threats associated with its functioning, including geopolitical ones.

The second scenario involves increasing the self-sufficiency of the country's economic development by overcoming structural imbalances and accelerating economic dynamics. Implementation of this long-overdue scenario envisages large-scale structural and technological modernisation of

economic potential, as well as diversification of export potential into medium- and high-tech manufacturing products. In its turn, it will require transformation of the economic model established in the post-Soviet Russia by stimulating innovation and investment activity, expansion of the resource base for the implementation of the structural turnaround of the economy. The stimulation of innovation and investment activity in the manufacturing sector is proposed to be based on the reform of profit taxation and ensuring the transparency of the process of formation of costs and the results of economic activity. Material support for the process of structural transformation of the Russian economy is proposed to be provided by expanding the targeted credit emission to finance development institutions and priority investment projects of various sectoral profiles.

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