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Anti-Russian Sanctions Impact Areas

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ABSTRACT

Four processes occurring within the country and weakening contemporary Russian society are considered in this paper. These processes include: the reduction in income from foreign trade, the "brain drain", the depopulation and the capital outflow. Their qualitative and quantitative characteristics are presented; the internal and external factors that contribute to the development of these processes are identified. Numerous restrictions, prohibitions, and sanctions imposed on the Russian Federation aim to stimulate the development of these negative phenomena and expand the scale of their unwanted consequences on the Russian economy and society. The results of the author's research on the validity of Russia's adversaries' choice of the aforementioned processes as objects of sanctions impact on the Russian Federation are presented in this article.

Keywords: Russian Federation; foreign trade; emigration; demographic situation; capital movement; anti-Russian sanctions; adversary state

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INTRODUCTION

Influencing the economy of the Russian Federation, unfriendly states pursue the following goals [1, p. 24–34]:

- to weaken, slow down the development, destroy the economic system of the country.
- deprive Russia of the opportunity (or limit, impede) to obtain and use resources of socio-economic development;
- eliminate Russian economic entities from the world commodity markets, gain control over them and (or) acquire them as property, replace them with their own commodity producers;
- take possession of the country's wealth;
- turn the Russian Federation into a country dependent on them;
- protect their domestic markets and segments of the world market occupied by their own business entities from Russian competitors.

In choosing the means to achieve their goals, they, like any skillful attacker, study the weaknesses and vulnerable zones[1] of the enemy. For example, the U.S. has long been looking for unprotected and sensitive areas in the USSR economy.[2] This search continues with respect to the Russian Federation. A clear example is the report published in 2019 by the well-known American non-profit research organisation RAND Corporation[3] "How to Overstretch Russia: Competing from Advantageous Positions" [2], prepared for the US Department of Defence and its intelligence and analytical structures.

Examining the strengths and weaknesses of the Russian Federation's military, political, financial and economic power and demographics, U.S. researchers point to significant risks of military confrontation with the Russian Federation and note the weakness of the Russian economy.[4] The weaker a country's economy, the more difficult it is for it to maintain and develop its defence/military industrial complex (MIC). Consequently, the deterioration of the economy will weaken it over time. Therefore, in an effort to destroy the Russian economy, Russia's enemies are hoping to diminish its military potential as well.

The RAND Corporation in the above report noted that 'Russia's economic weaknesses are enormous, but the paradoxical result of the sanctions regime shows that weaknesses are not the same as vulnerabilities that the United States can exploit to its advantage' [2, p. 28] and named ten vulnerabilities of the modern Russian economy:

1) resource and raw material dependence;
2) drain of human capital;
3) reduction of the population, labour resources, number of persons of conscription age;
4) drain of financial capital;
5) inefficient management at different levels of society;
6) technological lag;
7) directing resources to wrongly chosen goals and objects, inappropriate and untimely use of resources;
8) pursuit of achieving and maintaining the status of a great power;
9) property inequality of the population;
10) poor protection from information influence.

The 2015 National Security Strategy of the Russian Federation named among the main strategic threats to Russia's national security in the field of economy[5]:

- preservation of the raw materials export model of development and high dependence on the foreign economic situation;
- lagging behind in the development and implementation of advanced technologies;
- unprotected national financial system from the actions of non-residents and speculative foreign capital.

Below we characterise the state of affairs in four of the ten above-mentioned areas of the Russian economy: foreign trade revenues, brain drain, population dynamics and capital flight from Russia. The

[1] Vulnerability of the object — (target) the degree of possible defeat of the object (target) when it is exposed to various enemy means. URL: https://dic.academic.ru/dic.nsf/emergency/3120/Уязвимость.

[2] URL: https://archive.org/details/NSC 201-USObjectivesWithRespectToRussia/NSC_20_1_book/

[3] Included by the Russian Ministry of Justice in the List of Foreign and International Non-Governmental Organisations whose activities are recognised as undesirable on the territory of the Russian Federation (No. 1618-o dated 06.12.2023).).

[4] Ibidem.

[5] URL: https://www.consultant.ru/document/cons_doc_LAW_191669/?ysclid=lucio834qz81581694

statistical basis of the study is the data of the Federal State Statistics Service of the Russian Federation (Rosstat) and the World Bank (World Bank).

DECREASE IN REVENUES FROM FOREIGN TRADE (FIRST OF ALL — TRADE IN RESOURCES)

"A country participating in international trade, first of all, develops its most competitive on foreign markets spheres of activity and expands imports of products, technologies and knowledge that are less favourable in domestic production. Thus, its economy and financial system naturally become dependent on the state of foreign trade. The more a country's economy depends on trade with other countries, the more painful it may be for it to reduce the scale of foreign trade and reduce budget revenues from exports and imports. This circumstance is used by external competitors, unfriendly and hostile states" [3, p. 896].

Internal factors weakening the position of the Russian Federation in global trade and the Russian economy include: exhaustion of natural resource reserves; high cost of extraction; reduced capacity and/or inability to extract, including: lack of necessary resources, technology and infrastructure; low cost-effectiveness or unprofitability.

The group of external factors includes: high delivery price and/or inability to deliver to external markets (e.g. due to difficulties and/or inability to make payments, obtain insurance, transport and storage problems); falling prices on world markets; reduced demand; sanctions, bans, restrictions; strong competitors.

The volumes of foreign trade of the Russian Federation and other countries of the modern world depend both on the level of their economic, scientific, technological and information development, and on the conditions of world markets. Changes in these spheres affect the volume, dynamics, geographical and nomenclature structure of foreign relations and foreign trade of the countries. In the context of a rapidly changing world and multidimensional changes in Russia, the last thirty-odd years have seen leaps and bounds in the volume and growth rates of Russia's foreign trade (*Table 1*).

Sharp drops in the volumes of Russian exports and imports in 1995–2021, as a rule occurred during financial and economic crises (in 1997–1998, the Russian Federation defaulted on State short-term obligations; in 2001, the dot-com crisis (doc.com); in 2009, the global financial and economic crisis that began a year earlier continued) and under the influence of insurmountable circumstances (in 2014–2016, the consequences of anti-Russian sanctions were felt; in 2019–2020, there was the COVID-19 pandemic). Before that, a strong contraction occurred in 1991–1992 (liquidation of the USSR): exports fell by 29.3%, imports fell by 13.0%.[6]

The linear correlation coefficient of growth rates of the total volume of exports and exports to non-CIS countries from the Russian Federation in 1995–2021 indicates a close relationship between these indicators: $R^2 = 0.9965$ (significance level $\alpha = 0.01$, i.e., the probability of error is 1%). The growth rates of the total volume of Russian imports and RF imports from non-CIS countries are also closely interrelated ($R^2 = 0.9834$, $\alpha = 0{,}01$). This, in particular, is indicated by the high level of stability of the share of exports to non-CIS countries and imports from these countries in the total volume of exports and imports of the Russian Federation respectively.

Indeed, in 1995–2021, the share of exports to non-CIS countries in the total volume of Russian exports varied from 77.7% (1995) to 87.8% (2018). Its arithmetic mean is 84.8% and the coefficient of variation is 2.8%. The share of imports from non-CIS countries in the total imports of the Russian Federation varied between 65.87% (2000) and 89.3% (2021). Its arithmetic mean is 81.8% and the coefficient of variation is 9.2%. The high share of the volume of trade turnover of the Russian Federation with non-CIS countries

[6] Data from the World Bank. URL: https://data.worldbank.org/indicator

Table 1

The average annual growth rates of exports and imports of the Russian Federation, 1995–2021, percent

Years	Export		Import	
	Total	To the far abroad*	Total	From the far abroad
1995–1996	116.0	118.7	109.6	106.1
1997–1998	91.5	91.2	96.9	100.6
1999–2000	120.2	124.5	88.2	83.1
2001	97.0	95.6	123.6	137.7
2002–2008	124.7	124.6	130.3	133.4
2009	64.5	64.0	62.7	63.1
2010–2013	114.9	115.4	117.2	117.4
2014–2016	81.6	81.8	83.3	83.8
2017–2018	125.6	126.3	114.4	114.2
2019–2020	86.5	85.5	98.6	98.8
2021	146.2	148.4	126.4	126.6
2022	119.9	Not available	88.3	Not available

Source: compiled by the author on the basis of Rosstats's data. URL: https://rosstat.gov.ru/statistics/vneshnyaya_torgovlya; Federal Customs Service of the Russian Federation. URL: https://statexim.ru/news/update2022part

* *Note:* in this paper, the far abroad countries are those that are not included in the CIS, in particular: the European Union, USA, China, India, Great Britain, Japan, the Middle East, Africa and the Americas, Mongolia, the Republic of Korea, Australia, New Zealand, Norway, Finland, the Baltic States, Ukraine, etc.

opens up an opportunity for unfriendly states[7] to influence the Russian Federation through restrictions, bans, prices, tariffs and sanctions in the sphere of foreign trade.

The strength of such impacts on Russia is limited by the low share of foreign trade in the gross domestic product (GDP) compared to other countries, the ability of the Russian Federation to change the geographical and commodity structure of foreign trade and to carry out import substitution.

The importance of foreign trade for the economy of the Russian Federation can be judged by its share in gross domestic product and federal budget revenues. Russia's share of foreign trade in GDP is lower than that of a number of states unfriendly to the Russian Federation (*Tables 2, 3*). From this point of view, the economy of the Russian Federation is less vulnerable than in countries where the share of foreign trade in GDP is higher than that of Russia.

[7] The Federal Law of 04.06.2018 No. 127-FL "On measures to influence (counteract) unfriendly actions of the United States of America and other foreign states" (latest edition) defines the concept of an unfriendly foreign state. URL: https://www.consultant.ru/document/cons_doc_LAW_299382/. Their list is contained in the Order of the Government of the Russian Federation dated 05.03.2022 No. 430-o (ed. 29.10.2022) "On Approval of the List of Foreign States and Territories Committing Unfriendly Acts against the Russian Federation, Russian Legal Entities and Individuals". URL: https://www.consultant.ru/document/cons_doc_LAW_411064/e8730c96430f0f246299a0cb7e5b27193f98fdaa/) and Order of the Government of the Russian Federation No. 3216-o dated 29.10.2022 "On Amendments to Order of the Government of the Russian Federation No. 430-o dated 05.03.2022". URL: https://www.consultant.ru/law/hotdocs/77714.html

Table 2

The average annual values of the share of Russian exports in GDP, 1995–2022, percent

Country/Years	1995–1998	1999–2000	2001–2008	2009–2015	2016–2017	2018–2022
Estonia	67.8	65.7	61.9	18.4	76.4	76.4
Lithuania	40.8	35.5	51.0	16.2	70.6	78.8
Latvia	38.5	35.9	38.7	13.3	60.6	63.0
Ukraine	43.8	57.0	57.0	11.0	48.7	40.3
Poland	23.6	25.6	34.0	10.1	51.2	55.7
Norway	38.2	42.0	42.9	9.4	36.3	40.9
Finland	36.8	39.8	40.9	8.7	36.2	39.7
RUSSIAN FEDERATION	27.8	43.6	34.0	27.7	26.0	28.6
USA	10.8	10.5	10.3	3.0	12.1	9.1
Japan	9.7	10.1	13.6	3.6	16.8	13.9

Source: the table is compiled by the author on the basis of data from the World Bank. URL: https://data.worldbank.org/indicator

Table 3

The average annual values of the share of Russian imports in GDP, 1995–2022, percent

Country/Years	1995–1998	1999–2000	2001–2008	2009–2015	2016–2017	2018–2022
Estonia	77.2	69.6	68.8	17.5	72.6	75.1
Lithuania	51.2	43.6	59.3	16.3	69.1	75.0
Latvia	47.2	44.8	53.1	14.1	60.7	65.0
Ukraine	46.5	51.8	48.4	12.1	56.1	47.6
Poland	25.6	31.8	37.3	10.2	48.2	52.5
Finland	29.4	30.7	34.9	8.8	36.8	40.5
Norway	32.1	29.9	27.6	6.7	32.8	31.1
RUSSIAN FEDERATION	23.7	25.1	22.6	20.5	20.7	19.7
USA	12.1	13.7	15.1	3.7	14.8	11.5
Japan	8.6	8.7	12.4	3.8	16.0	14.1

Source: the table is compiled by the author on the basis of data from the World Bank. URL: https://data.worldbank.org/indicator

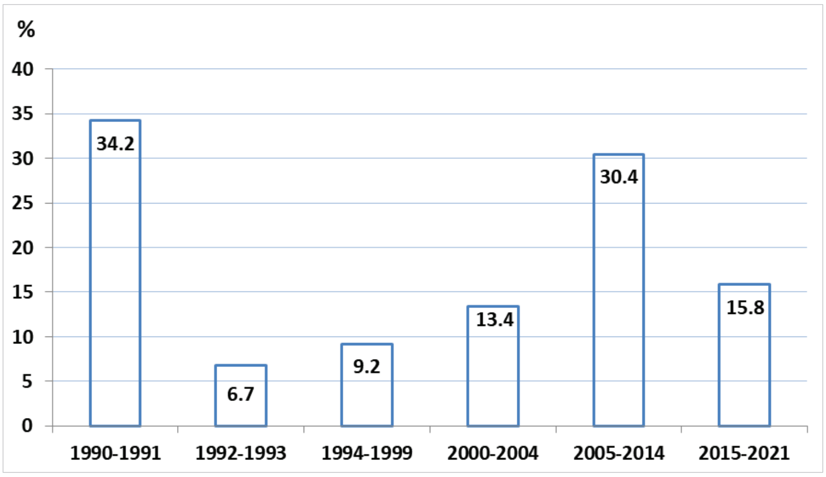

Fig. 1. **The average annual values of the share of foreign trade revenues* in the revenues of the consolidated budget of the Russian Federation, 1991–2021, percent**

Source: compiled by the author according to the data of the Ministry of Finance of the Russian Federation. URL: https://minfin.gov.ru/ru/statistics/fedbud/execute?id_57=80041-

* *Note:* receipts from foreign trade are calculated in this paper as the sum of taxes on goods imported into the territory of the Russian Federation, excise duties on excisable goods (products) imported into the territory of the Russian Federation, and income from foreign economic activity.

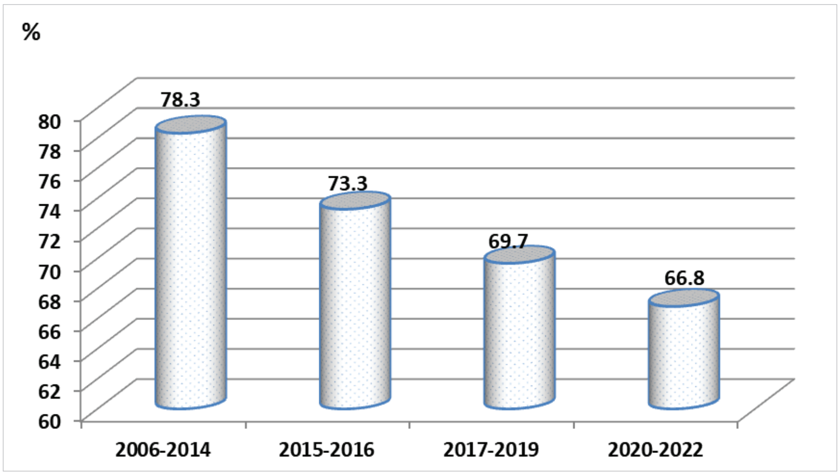

Fig. 2. **The average annual values of the share of income not related to domestic production in the revenues of the federal budget in the Russian Federation, 2006–2022, percent**

Source: compiled by the author according to the data of the Ministry of Finance of the Russian Federation. URL: https://minfin.gov.ru/ru/statistics/fedbud/execute?id_57=80041-

A less optimistic picture emerges when considering revenues from foreign economic activity[8] and the contribution of foreign trade to the budgetary system of the Russian Federation. After the liquidation of the USSR, the share of foreign trade revenues in the RF consolidated budget revenues increased, although it remained lower than in the last years of the USSR. It decreased only after the introduction of anti-Russian sanctions (*Fig. 1*).

[8] "Revenues from foreign economic activity are import and export customs duties, fees, payments, other receipts from foreign economic activity, special anti-dumping and countervailing duties, interest for untimely fulfilment (non-fulfilment) of countries' obligations to transfer amounts from the distribution of duties, offshore fees, as well as other fees and payments". URL: https://eec.eaeunion.org/upload/files/dep_stat/fin_stat/stat_tables/2021/finstat_2020.pdf

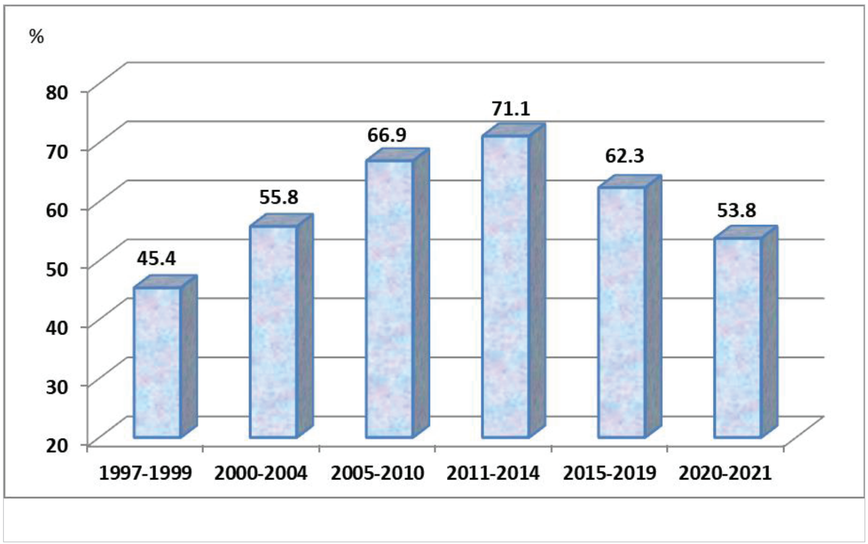

Fig. 3. **The average annual share of mineral products in the total volume of the Russian Federation exports, 1997–2021, percent**

Source: compiled by the author according to the data of the Ministry of Finance of the Russian Federation. URL: https://minfin.gov.ru/ru/statistics/fedbud/execute?id_57=80041-

The dependence of the RF federal budget revenues on non-domestic production revenues[9] is even higher (*Fig. 2*).

Unfriendly countries view the Russian Federation as a producer of raw materials, because the share of mineral products in the total volume of Russian exports is very high (*Fig. 3*). The share of crude oil, including natural gas condensate, and natural gas in the total volume of Russian exports in 2005–2013 ranged from 45.6% (2013) to 49.2% (2008). In 2014–2021, its annual average value was 37.1%.[10]

Therefore, it is not by chance that many anti-Russian sanctions are imposed precisely on the export of oil and a number of other natural resources from Russia. They are aimed not only at undermining the extractive industries, but also at reducing the revenues of the budget system of the Russian Federation.

The course on the export-raw material orientation of the economy, which has been implemented in modern Russia for many years, has contributed to the weakening of attention to the development of high-tech spheres of production and to the increase in the volume of imports of their products rather than advanced technologies. The average annual share of high-tech products in the total volume of Russia's imports in 2014–2016 was 64.3%, and in 2017–2021 it reached the level of 75.6%.[11] The institutions of the states that have been imposing restrictions, bans and sanctions on Russia since March 2014 have also taken this situation into account. They have included a wide range of high-tech products and bans on co-operation in many areas of activity relevant to their creation in the regularly updated and expanded sanctions lists.

"BRAIN DRAIN".

"Brain drain" is the emigration of a large number of specialists from different fields of activity.[12] Internal factors causing it include: low living standards compared to foreign countries; worse living and working conditions (in particular: na-

[9] Non-domestic production-related income = all income — domestic production-related income.

[10] Calculated by the author according to Rosstat data.

[11] Calculated by the author according to Rosstat data.

[12] URL: https://media.foxford.ru/articles/chem-otlichaetsya-ehmigraciya-ot-immigracii

Table 4

The average annual values of the ratio of the migration balance (arrivals minus departures) to the population of the country, 1989–2021, person/1000 persons

Country/Years	1989–1999	2000–2013	2014–2021
USA	6.3	4.0	3.6
Norway	1.9	6.0	4.6
RUSSIAN FEDERATION	2.9	2.1	2.3
Finland	1.3	2.1	3.0
Japan	0.3	1.0	1.2
Estonia	–7.6	–2.6	3.0
Poland	–1.0	0.1	–0.2
Ukraine	–0.8	–0.1	–0.7
Latvia	- 6.6	-7.5	- 5.2
Lithuania	–4.7	–9.4	–5.9

Source: the table is compiled by the author on the basis of data from United Nations Population Division Department of Economics and Social affairs. URL: https://population.un.org/wpp/Download/Standard/MostUsed/

ture, climate, danger of natural disasters, military actions); socio-economic inequality; political, religious, ethnic, etc. reasons.[13]

External factors include: luring young people and the most sought-after specialists abroad; better living and business conditions in other countries; obtaining the desired education abroad; spreading perceptions of a better life outside the Russian Federation [4, p. 194]. In Russian youth "such ideas are hardly supported by serious knowledge about the culture or political structure of Western countries and are probably superficial, but they are quite stable" [5, p. 7].

There are different estimates of the scale of emigration from the Russian Federation of scientists, specialists, cultural and sports figures. Thus, at the general meeting of the Russian Academy of Sciences (21–22 April 2021) the Chief Scientific Secretary of the Russian Academy of Sciences N.K. Dolgushin said that "the number of specialists going abroad annually has not decreased, and since 2012 this number from 14 thousand has increased to almost 70 thousand people at present".[14] Later it turned out "that the academician was referring to people with higher education".[15]

"According to the Chairman of the Siberian Branch of the Russian Academy of Sciences V.N. Parmon, "over the last five years our science has lost about 50 thousand scientists" [6, p. 1]. The Minister of Science and Higher Education of the Russian Federation V.N. Falkov reported that "in 2012 only 280 doctors and candidates of science left Russia", and that he "sees nothing wrong with migration".[16]

[13] URL: https://newizv.ru/news/2021–03–24/rektor-skolteha-aleksandr-kuleshov-strana-stanovitsya-starshe-bednee-i-glupee-323453

[14] URL: https://nauka.tass.ru/nauka/11198355

[15] URL: https://rg.ru/2023/06/06/s-umom-ostatsia-v-rossii.html

[16] URL: https://newizv.ru/news/society/27–08–2021/v-minobrnauki-ozabotilis-statistikoy-ob-utechke-mozgov-iz-rossii

Table 5

The average annual values of external migration growth in the Russian Federation, 1992–2022, thousand persons

Indicator/Years	1992–2000	2001–2006	2007–2020	2021	2022 (valuation)
Total	384.1	77.4	236.7	429.9	34.9
Including					
With neighbouring countries	N/A./ no data	91.6	233.6	401.2	51.4
With other countries	N/A./ no data	–26.2	3.1	28.7	–16.6

Source: the table is compiled by the author on the basis of data from "Migration balance (1992–2022)". URL: https://aftershock.news/?q=node/1227918&full: URL: https://aftershock.news/?q=node/1227918&full

Note: migration increase = number of arrivals from abroad minus number of departures from the country.

Minister of Digital Development, Communications and Mass Media of the Russian Federation M.I. Shadaev at the "government hour" in the State Duma of the Russian Federation on 20.12.2022 noted that "if we take two waves of departure of IT-specialists, up to 10% of employees of IT-companies left the country and never returned. If we take in total, about 100 thousand IT-specialists are outside our country".[17] At the same time, he noted that "80 per cent of those who left continue to work for Russian companies".[18]

In general, the Russian Federation is among the countries with a positive migration balance (arrivals minus departures). However, a number of unfriendly countries bordering Russia have more migrants leaving than coming in (*Table 4*).

The main issue is who is leaving and who is coming. The shortage of highly qualified specialists in today's high-tech world, where states and economic entities fight for technological superiority, leadership, and dominance, hinders the country's development. Therefore, government agencies and private companies in many countries of the world are actively recruiting professionals, creating more comfortable conditions for them than in their home countries, including in Russia.[19]

Emigration of professional personnel reduces, first of all, the opportunities for scientific, technological, cultural and educational development of the country they leave. In the long term, this affects the ethnic composition of society, the ratio of confessions and worldviews, the crime situation and, ultimately, the important security factor — the unity of society.

"All this is clearly manifested when highly qualified, enterprising, creative individuals leave the country (for example, such as one of the creators of the social network "VKontakte" and the company of the same name, cross-platform messenger Telegram — P.V. Durov; the founder and honorary president of the company "Vympel-Communications", a scientist-radio technician, philanthropist, founder of the "Dynasty" Foundation, co-founder of the "Enlightener" award — D.B. Zimin), but un-

[17] URL: https://www.interfax.ru/russia/877771

[18] Ibidem.

[19] For example, in the IT sector, Kommersant newspaper sources "speak about the expressed desire of about 5,000 specialists to leave. They are considering Cyprus, Georgia, Turkey, Lithuania, and the USA for relocation. According to Kommersant, some companies themselves take entire teams abroad. According to the latest estimate of the Ministry of Finance, the shortage of personnel in the IT industry in Russia already ranges from 500 thousand to 1 million people, and by 2027 it may increase to 2 million specialists". URL: https://www.kommersant.ru/doc/5237954

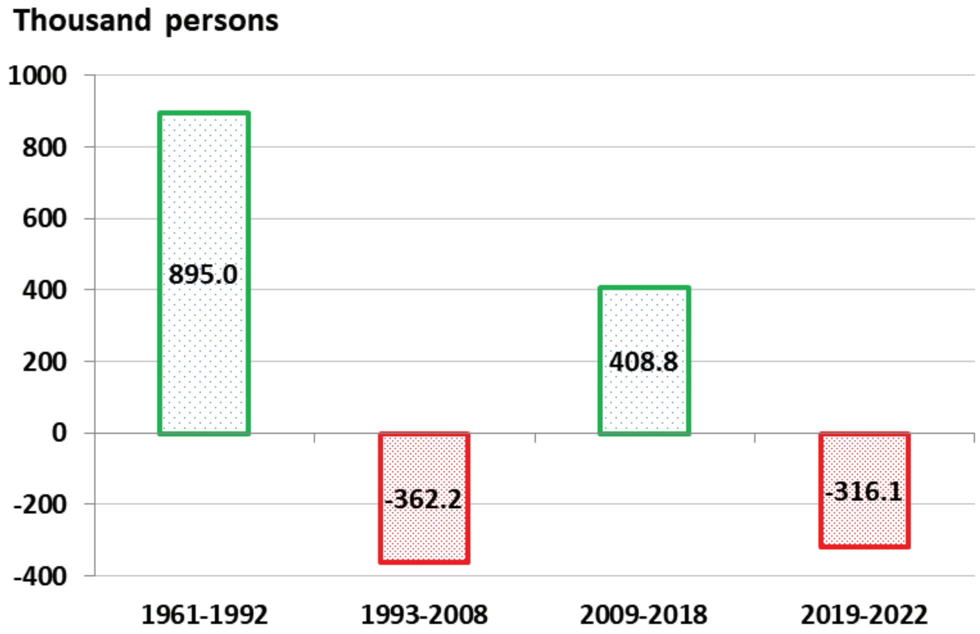

Fig. 4. **Average annual changes in the population of the Russian Federation during the periods under consideration in 1961–2023 ("+" — growth, "–" — decrease), thousand people**

Source: compiled by the author on the basis of data from the World Bank, Rosstats's data. URL: https://data.worldbank.org/indicator; https://gogov.ru/articles/population-ru

Note: Since 2014, taking into account the population of the Republic of Crimea and the city of Sevastopol.

educated people with alien to the natives norms of behaviour, notions of justice and law, as well as with a different ideology, come here.

"When a certain "critical number" of the latter is formed, the crime rate increases,[20] the disunity of society, non-affection and confrontation of separate social groups arise and intensify" [7, p. 65–66].

Since 1992, the balance of external migration (arrivals minus departures) to the Russian Federation is formed mainly by those arriving from the former republics of the USSR (*Table 5*).

Over the last "30 years, the main "suppliers" of migrants to Russia have been Ukraine and Kazakhstan, and in the last 3–4 years Tajikistan has been added to them. …The migrant leaders of the last decade also include Armenia, Kyrgyzstan and Uzbekistan, from where, until the mid-1990s, a large number of citizens of predominantly Russian origin came to Russia".[21] At the same time, "more often skilled workers from Central Asian republics come to Russia, and among them only 13–17% have higher education. While in Russia there is "intellectual migration" — 70 per cent of those leaving have higher education".[22]

The Chairman of the Supervisory Board of the Autonomous Non-profit Organization "Institute of Demography, Migration and Regional Development", laureate of the President of the Russian Federation Prize in the field of education, 3rd class able State Counsellor of the Russian Federation Yu.V. Krupnov notes that "annually 5–10% of migrants entering the Russian Federation stay on our territory and naturalise, legalise" and that "there is an ethno-demographic replacement of the indigenous population in the Russian Federation".[23]

[20] At a meeting of the State Duma on 17 January 2023, Deputy Minister of Internal Affairs of the Russian Federation, retired police colonel general I.N. Zubov said: "At the end of 2022, 40,200 crimes were committed by foreigners, which is 10.3% more than last year." "Zubov emphasised that they accounted for 3.9% of the total number of crimes committed in the Russian Federation during the year". URL: https://tass.ru/obschestvo/16874075

[21] URL: https://aftershock.news/?q=node/1227918&full

[22] URL: https://newizv.ru/news/2021–08–27/v-minobrnauki-ozabotilis-statistikoy-ob-utechke-mozgov-iz-rossii-336699

[23] URL: https://dzen.ru/a/Yya0wgtPry-lX1oZ

Table 6

Increase (+) / decrease (–) in the population of countries bordering the Russian Federation, 1991–2022, mln persons

Country	Increase	Country	Decrease
China	277.0	Estonia	–0.2
USA	83.7	Poland	–0.5
DPRK (North Korea)	5.3	Latvia	–0.8
Kazakhstan	3.3	Lithuania	–0.9
Azerbaijan	3.0	Belarus	–1.0
Japan	1.6	Georgia	–1.1
Mongolia	1.2	RUSSIAN FEDERATION	–1.3
Norway	1.2	Ukraine	–13.9
Finland	0.6		

Source: compiled by the author on the basis of data from the World Bank, Rosstats's data. URL: https://data.worldbank.org/indicator; https://gogov.ru/articles/population-ru

REDUCTION OF POPULATION, PERSONS OF CONSCRIPTION AGE, LABOUR RESOURCES

Population preservation, health and well-being of people is the first of the goals named in the Decree of the President of the Russian Federation No. 474 dated 21.08.2020 "On the National Development Goals of the Russian Federation for the period until 2030".[24]

Internal factors that lead to a decrease in the number of the society include: negative socio-demographic, economic and political processes within the country; military actions on the territory of the country or their threat; family circumstances.

External factors include: high attractiveness of foreign countries in terms of living standards, labour conditions, access to information and technology; policies of other countries to attract personnel; information policy and propaganda; dissemination of ideas from abroad about a better life outside the Russian Federation; wars, epidemics and natural disasters.

In 1961–1992, the average annual population of the Russian Federation increased annually, while in 1993–2008 it decreased. In 2009–2017, the growth of the average annual number of Russian citizens resumed, and from 2018 the decline began again (*Fig. 4*).

The Unified Plan for Achieving the National Development Goals of the Russian Federation for the Period until 2024 as well as the Planning Period until 2030 notes that "due to objective demographic trends, the population of the Russian Federation will decline in the next few years".[25]

In terms of population dynamics, the Russian Federation looks weaker than a number of countries bordering it by land and sea (*Table 6*).

The danger of depopulation in general is supplemented by the uneven distribution of inhabitants in the country, concentration of population in a small number of administrative-territorial formations and depopulation of most territories.

EXPORTATION OF CAPITAL

In this paper, the author uses the terms "capital inflow into the country", "capital influx", "capital

[24] URL: http://www.kremlin.ru/acts/bank/45726

[25] URL: https://www.economy.gov.ru/material/file/ffccd6ed40dbd803eedd11bc8c9f7571/Plan_po_dostizheniyu_nacionalnyh_celey_razvitiya_do_2024g.pdf

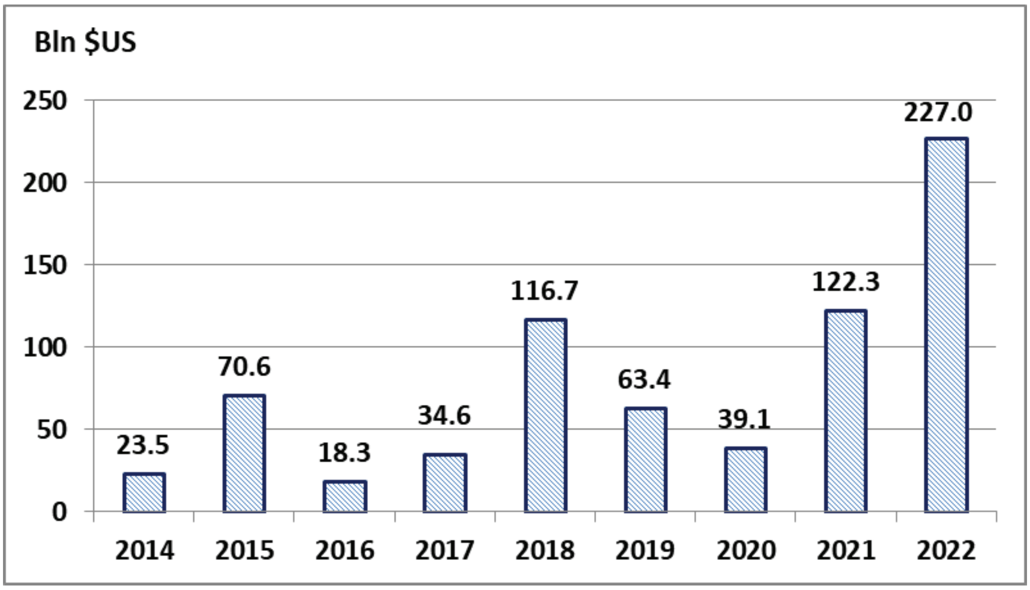

Fig. 5. **The balance of the financial account of the Russian Federation, 2014–2022, bln $USD**

Source: the figure is constructed by the author on the basis of data from the Central Bank of the Russian Federation and the Center for Macroeconomic Analysis and Short-term Forecasting. URL: http://global-finances.ru; http://www.forecast.ru/_ARCHIVE/Mon_13/2023/TT2023_8.pdf

exportation", "capital outflow from the country", and financial account balance. The latter is the difference between the export of capital from the country and the inflow of capital into the country.[26] Positive value of the financial account balance, as it is known, has a negative impact on the state and development of the economy of the country, and its negative value has a positive impact on the economy.

The term "capital outflow" is not used in the paper. It means, as E.S. Nabiulina, Chairman of the Central Bank of the Russian Federation, said, "withdrawal of money on dubious, suspicious grounds".[27]

Both internal and external factors influence the export of capital from the country. Domestic factors include: less favourable than abroad conditions (economic, regulatory, scientific and technological, logistical, natural and climatic) for staying in the country and conducting business activities, unsatisfactory state of infrastructure.

Experts attribute the flight of capital from the country to "a poor investment climate, an integral part of which is the corruption of the judicial and executive authorities".[28] As for infrastructure, as N.V. Zubarevich, director of the regional programme of the Independent Institute for Social Policy, points out, "the deterioration of infrastructure has long been a reality. Nowadays, funds are allocated only for patching holes, not for commissioning new facilities. But it is impossible to exploit old things indefinitely. In descending order, the most vulnerable places in Russia now are the road network, deterioration of buildings and structures, energy networks and infrastructure".[29]

External factors include: favourable conditions for capital application in offshore countries; developed technological base and logistics in foreign countries; bans, restrictions and sanctions imposed on activities in the Russian Federation and on work with business entities located in the Russian Federation.

[26] URL: https://cbr.ru/statistics/macro_itm/svs/meth_com_bop/

[27] URL: https://www.alta.ru/external_news/99775/

[28] URL: https://www.forbes.ru/sobytiya-slideshow/vlast/77637–11-glavnyh-ugroz-2012-goda-novyi-reiting-forbes

[29] Ibidem.

As a result of the combination of factors, more capital left the Russian Federation in 2014–2022 than entered (*Fig. 5*), which reduced the country's development potential, and the activities of foreign companies were more active outside than inside Russia.

The ratio of the financial account balance to the gross domestic product (GDP) during the period under consideration in the Russian Federation was between 1.1% (2014) and 10.5% (2022). From this we can conclude (leaving aside the issue of the areas of activity from which capital leaves) that in terms of scale the role of capital exports from Russia for the economy is not so significant.

Let us consider an important component of capital inflow and export for the development of domestic production — foreign direct investment. "Direct investment is a category of cross-border investment in which a resident of one country exercises control (more than 50% of votes in management) or has a significant degree of influence (from 10 to 50%) on the management of an enterprise that is a resident of another country".[30]

Before the anti-Russian sanctions imposed by a group of states in March 2014, both inbound and outbound foreign investment in the Russian Federation was increasing; after the sanctions were imposed, it has been decreasing (*Fig. 6*).

At the same time, the average annual volumes of net direct investments in the Russian Federation (incoming minus outgoing) in 1992–2022 were negative during the global crisis of 2000–2003[31] and since the global financial and economic crisis of 2008–2010. (*Fig. 7*).

Judging by the ratio of inbound and outbound foreign direct investment in Russia (*Table 7*), the role of its scale in the country's economic development was not high.

In 2008–2022, the average annual ratio of foreign direct investment balance (outflow from the country minus inflow to the country) to GDP in the Russian Federation was lower than, for example, in Norway and Japan. (*Fig. 8*).

It should be noted that the importance for the Russian economy of the spheres of activity in which investments flowed in and out of requires a special study and is not considered in this paper. As for the composition, investments in fixed capital are a significant resource for development. After the introduction of anti-Russian sanctions in March 2014, their volumes in the Russian Federation decreased and after adapting to the changed economic conditions began to recover (*Fig. 9*).

The decrease in the growth rates of investments in fixed assets in the Russian Federation in 2008–2013 is associated with the global financial and economic crisis, the crisis of 2008–2010 and the recession of 2012–2013.

It should be noted that the largest share in the growth in fixed capital was made up of investments in the Russian form of ownership. At the same time, in 2014–2016, the share of investments in joint (Russian and foreign) ownership increased significantly. In the average annual growth in fixed capital, the share of Russian-owned investments in 2014–2016 fell to 54.8%, after which it quickly recovered. (*Table 8*).

The improvement of the investment climate and the situation with capital outflow from the Russian Federation will be facilitated, first of all, by eliminating internal causes of capital flight from the Russian Federation and expanding co-operation with non-hostile states and economic entities in foreign jurisdictions interested in joint activities.

CONCLUSIONS

These weaknesses have been present in the economy of the Russian Federation for decades. For example, the USSR's oil and gas dependence was fully utilised by Ronald Wilson Reagan (40th President of the USA (1981–1989) to fight the Soviet Union (the so-called "President Reagan's Secret Plan"). In the National Security Strategy of the Russian Federation until 2020, adopted in 2009, the main strategic risks and threats to the national security

[30] Finances of Russia. 2022. Statistical Collection. Moscow: Rosstat; 2022. 392 p.

[31] Thus, according to the World Bank, in 2003 alone, $ 1.795bn more went out of the Russian Federation than came in. URL: http://data.worldbank.org/

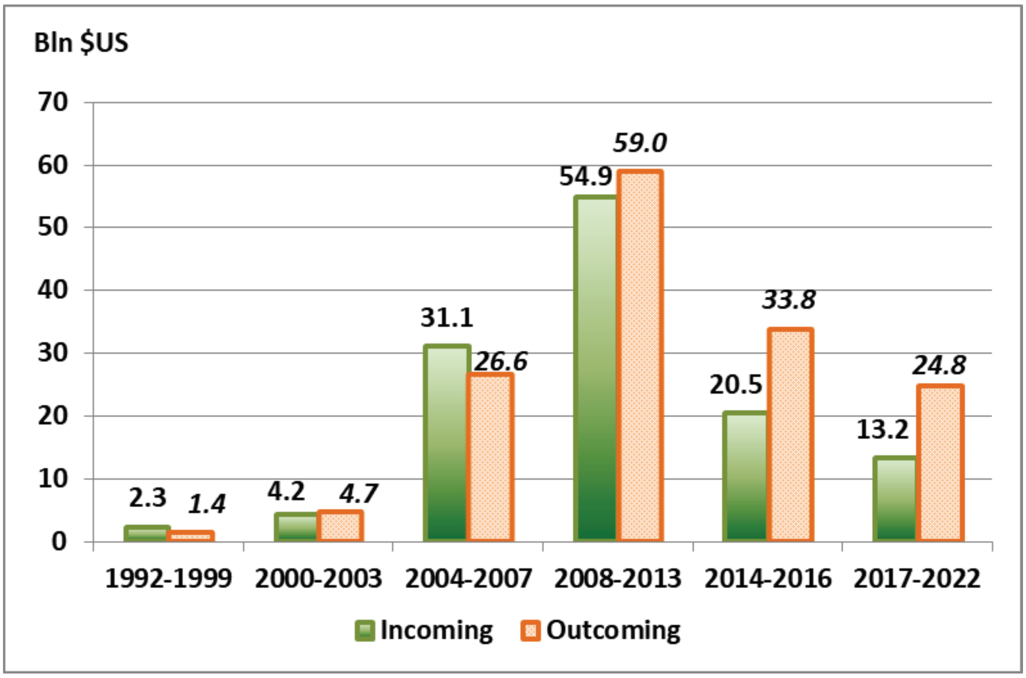

Fig. 6. **The average annual volumes of direct investments flowing into and out of the Russian Federation, 1992–2022, bln $USD current prices**

Source: compiled by the author on the basis of data from the World Bank. URL: http://data.worldbank.org

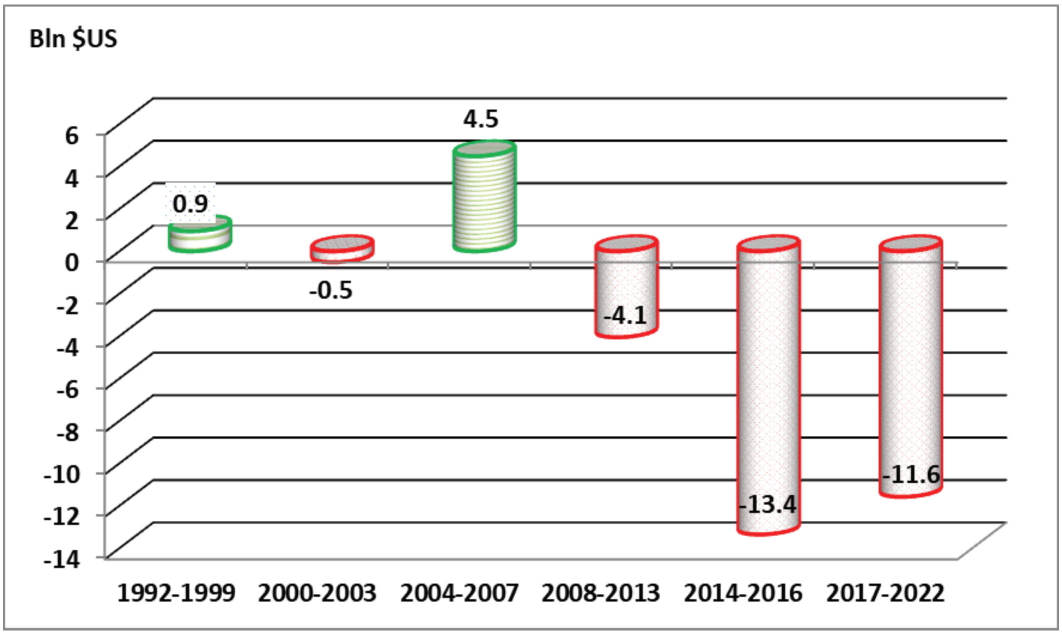

Fig. 7. **The average annual net volumes (incoming minus outgoing) of direct investments in the Russian Federation, 1992–2022, bln current $USD**

Source: compiled by the author on the basis of data from the World Bank. URL: http://data.worldbank.org/indicators

Table 7

The ratio of the average annual volumes of foreign direct investment flows into and out of the Russian Federation to the average annual GDP of the Russian Federation, 1992–2022, percent

Investments	1992–1999	2000–2003	2004–2008	2008–2013	2014–2016	2017–2022
Inbound	0.63	1.26	3.41	3.01	1.31	0.73
Outbound	0.37	1.41	2.92	3.23	2.16	1.41

Source: compiled by the author on the basis of data from the World Bank. URL: http://data.worldbank.org/indicators

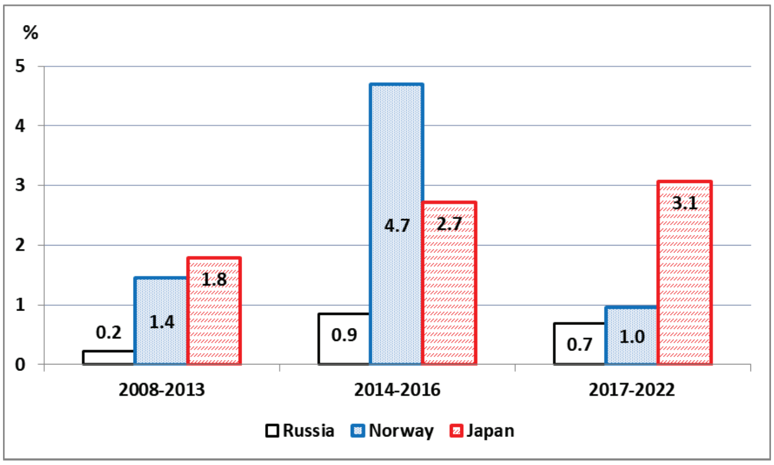

Fig. 8. **The average annual ratio of the balance of foreign direct investment (departure from the country minus arrival in the country) to GDP, percent**

Source: compiled by the author on the basis of data from the World Bank. URL: http://data.worldbank.org/indicators

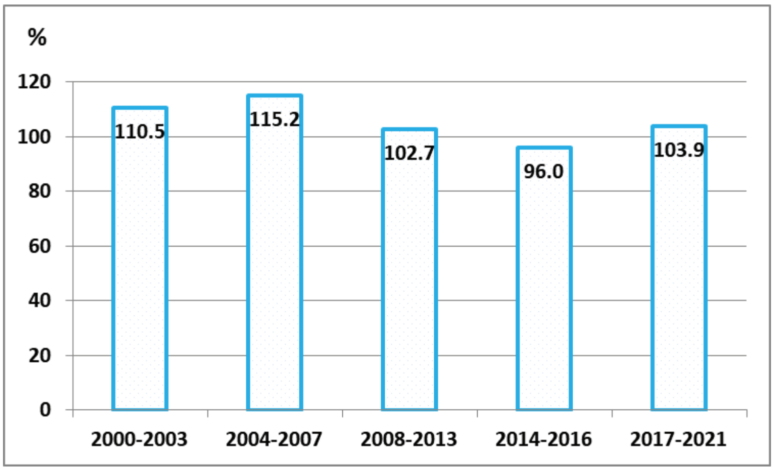

Fig. 9. **The average annual rates of growth of investments in fixed assets in the Russian Federation in 2000–2022 at comparable prices, percent**

Source: compiled by the author on the basis of Rosstats's data from "Russian Statistical Yearbook" for a number of years.

Table 8

The average annual shares of investments in fixed assets by various forms of ownership in relation to the total volume of average annual investments in fixed assets in the Russian Federation during the periods under review, 2001–2022, percent

Form of ownership	2001–2003	2004–2007	2008–2013	2014–2016	2017–2022
Russian	81.5	82.6	88.5	54.8	88.3
Foreign	7.0	8.6	8.3	4.6	3.0
Joint Russian and foreign	11.5	8.8	3.2	40.6	8.7

Source: compiled by the author on the basis of Rosstats's data from "Russian Statistical Yearbook" for a number of years.

of the Russian Federation in the economic sphere in the long term are "preservation of the raw materials export model of the national economy development, reduction of competitiveness and high dependence of its most important spheres on the foreign economic situation, loss of control over national resources, deterioration of the raw material base of industry and energy, uneven development of the regions and progressive labour insufficiency, low stability and security of the national financial system, preservation of conditions for corruption and criminalisation of economic and financial relations, as well as illegal migration".[32]

Knowing the long-standing export-raw material orientation of the Russian Federation's economy, unfriendly states have hit both Russian exports and imports. In order to deprive the Russian Federation of export revenues, its enemies have imposed bans on imports from the Russian Federation and on transfers of the main Russian export commodities: products of extractive industries (crude oil, coal, gold, fish and seafood), liquefied natural gas, oil products, ferrous and non-ferrous metals, a large group of high-margin goods (caviar, Portland cement, alumina cement, slag cement, super sulphate cement and similar hydraulic cements, mineral fertilisers, timber and wood products, ships and tugboats, alcoholic beverages, etc.). These bans are aimed not only at undermining industries, but also at reducing the revenues of the budgetary system of the Russian Federation.

Restrictive measures on imports from the Russian Federation also include the imposition of increased customs duties and price ceilings.

The export-raw material orientation of the Russian economy has naturally (due to the law of comparative advantage formulated by David Riccardo) led to a weakening of attention to the development of industries whose products turned out to be uncompetitive and marginally competitive in foreign markets. In many respects, this affected high-tech modern capital-intensive industries operating on advanced knowledge-intensive technologies. Domestic and foreign entrepreneurs began to supply goods of such spheres of activity to Russia from abroad, as well as to produce them at foreign-owned enterprises opened in the Russian Federation.

This "weakness" is affected by bans on exports to the Russian Federation of a wide range of goods, technologies, software products, and telecommunications equipment,[33] as well as the withdrawal of foreign firms from the Russian market. Export bans and restrictions on exports to the Russian Federation are aimed at curbing the development of both extractive industries (primarily oil production) and the means of delivery of their products, as well as production, mainly in high-tech and logical spheres

[32] URL: http://www.kremlin.ru/supplement/424

[33] In addition to those prohibited for export, there are other lists of goods that require a licence to supply to the Russian Federation.

of activity (aviation, space, electronic and information industry, communications, software). And bans on exports to Russia of household and luxury goods, alcohol, sports, and other consumer goods[34] are designed to reduce the standard of living of Russian citizens with all the ensuing consequences.

One of them may be the formation of an idea of a better life abroad, causing a desire to leave Russia. The emigration of highly qualified specialists from various spheres of social life: science, culture, education, art, informatics, etc. poses a serious threat to Russia's socio-economic, scientific, technological, cultural, and educational development. RAND Corporation experts consider the outflow of human capital to be the biggest problem for Russia in the long term. To solve the problem of "brain drain" it is important to make it so that high-class professionals from various fields of activity and talented entrepreneurs, having gone abroad, lived, studied, trained, and worked there, would finally return to Russia.

A serious danger for the Russian Federation in the short and long term is the reduction of the country's population. At the same time, the number of citizens of neighbouring states (some of them dominated by religions different from Russia) and strategic adversaries of the Russian Federation is rapidly growing. And V.T. Tretyakov is right when he argues that the increase in the number of Russians should be put "at the head of all economic, social, political and other strategies and programmes", and "the strategy of multiplying the people is the key to answering all other threats and challenges facing Russia" [8].

The dynamics and scale of capital inflows into and outflows from a country are largely determined by the state of the world economy and foreign policy factors. In today's fast-changing world and with periodic global financial and economic crises, the dynamics of the balance of incoming and outgoing capital is naturally oscillating. This, in particular, is illustrated by *Fig. 5*. Therefore, for sustainable economic development, the main emphasis, as it seems, should be placed on internal sources of capital increase and on domestic investments.

I believe that the work to eliminate weaknesses in the Russian economy should not rely solely on the action of market mechanisms. Under capitalism, economic entities are primarily interested in profit and gain. Thus, in conditions of limited demand, low ability of the population to pay, high costs for the creation of modern technologies and means of production inside the country, it is more profitable for entrepreneurs working in it to sell goods created abroad and buy everything necessary for production there, to attract cheap labour from abroad.

From the business point of view, this is logical, because, on the one hand, limited domestic demand does not allow increasing production volumes, the growth of which reduces the cost per unit of output. Small production volumes result in a high cost per unit of goods, and this raises its price. The high price further reduces the already low payment-capable demand. Increased demand for domestic goods in foreign markets allows to expand production volumes and thereby reduce the unit cost of the product and at the same time provides an attractive level of market prices.

On the other hand, numerous offers of production means by foreign producers and lower prices from foreign sellers encourage domestic businessmen to buy abroad rather than in their own country, where production means, especially the newest ones, are either not available or are more expensive than imported ones.

The current ratio of supply and demand, prices, production volumes and quality of goods in the Russian Federation and on world markets are such that it is more profitable for Russian producers to export their goods. At the same time, it is more profitable for Russian business to import than to create or purchase domestic products (especially in the context of technological backwardness in a number of areas). This, in particular, explains why, in the conditions of sanctions pressure on the Russian Federation, domestic business pays more attention to finding and building new logistics chains rather than replacing foreign goods with domestic ones. As they say: "it's

[34] Specifically, the U.S. imposed a ban on exports and re-exports to Russia of swimming costumes and accessories for boys and girls.

just business so don't take it personally". One of the consequences of such behaviour is the weakening of the national currency.

At the same time, states unfriendly to Russia have put politics before economics: the bans, restrictions, and sanctions they impose are harmful to their business. Thus, the countries of developed capitalism prove in practice that there are goals that are more important than profit, and they strive to achieve them. It is not excluded, of course, that after eliminating Russia as a competitor in the world markets and geopolitical arena, they expect to compensate for the lost profits in the long run.

I believe that a country in a hostile environment should not rely on outside help — foreign countries will not help. It is necessary to build up internal resources by all means. The less they are used and the slower they increase, the stronger the influence of external factors on the socio-economic, political, scientific-technological, cultural-educational, and informational development of the country seems to be. In conditions of external isolation, both methods of motivation of economic entities and methods of coercion are applicable for building up strength and power (even under private ownership of the means of production).

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