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**Abstract**

Investments play an extremely high role at the present stage of world development, as states lack their own resources to implement an effective structural policy. For example, Russia needs investments to make the transition to a new technological structure based on the flow of innovation and the production and export of high-tech products. In Russia, the factors inhibiting the flow of real foreign direct investment prevail over the advantages and also stimulate the outflow of investment resources from the Russian economy abroad. The aim of the article is to study changes in the volumes and directions of movement of foreign direct investment in Russia in the periods before economic crises. The methodology for studying the investment climate in Russia involves an analysis of the dynamics of incoming and outgoing investment flows, an analysis of the positions of the leading partner countries in investment exchange, as well as a study of Russia's positions in the global investment rating.

**Keywords**

Investments – Investment attractiveness – Investment climate – Foreign direct investment

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## Introduction

The investment climate of the state determines the conditions for investing foreign capital and depends not only on economic, but also on socio-political conditions. Investment needs of the modern world economy are high now more than ever, as countries are not enough to upgrade fixed assets and implement effective structural policies. Effective and rational use of foreign investment in the national economy requires that the state has an effective national investment policy, the key instruments of which ensure national security, protecting sensitive industries, and support the development of priority sectors for the state.<sup>1</sup>

To assess the investment climate in the country, various methods are applied, based on the analysis of factors such as state guarantees for foreign investors, the state of the regulatory framework, state regulation of the activity of natural monopolies in the field of pricing policy, transparency and loyalty of the tax system to foreign investors, the level of corruption and the outflow of capital from the country, the attitude of justice and the system of protecting the rights of investors, the effectiveness of government bodies in areas of development of investment policy, etc.<sup>2</sup> In addition, the complex of negative externalities traditionally exacerbates the difficulty of increasing the investment climate in the country: unemployment, over-urbanization and the concentration of labor resources in local markets, while there are not enough for others, the growth of income inequality and a decrease in the real income level of the population.<sup>3</sup>

The difficulty in adequately assessing their investment attractiveness of enterprises lies in the partial control or support and financing of large projects by the state, in the absence of other sources of financing. Another organizational complexity in the conditions of high volatility of the national currency is the need to form a scenario approach when analyzing project cash flows, which is unrealistic in such a situation.<sup>4</sup>

The main guarantees of legal protection of the activities of foreign investors in the territory of individual states are governed by the provisions of international legal acts ("Convention on the Settlement of Investment Disputes between States and Individuals or Legal Entities of Other States", concluded in Washington in 1965); bilateral agreements on the promotion and mutual protection of investment, such as the agreement between Russia and China, concluded in 2006; and provisions of national law.<sup>5</sup>

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<sup>1</sup> Larisa Germanovna Chuvakhina, "Features of global investment policy: current trends and prospects", Vestnik ASTU. Series: economics, Vol: 2 (2019): 142-148.

<sup>2</sup> S. V Solonina; L. V Boldyreva and A. P Anufrieva, "Investment climate in Russia: assessment methods and improvement problems, State and municipal management, Scholarly notes of SKAGS. 2018". Retrieved from <https://cyberleninka.ru/article/n/investitsionnyy-klimat-v-rossii-metody-otsenki-i-problemy-uluchsheniya>.

<sup>3</sup> Mohammad Amin Almfraji and Mahmoud Khalid Almsafir, "Foreign direct investment and economic growth, literature review from 1994 to 2012", Social and Behavioral Sciences Vol: 129 (2014): 206-213.

<sup>4</sup> Michael Kosov; Ravil Akhmadeev; Vladimir Smirnov; Sergey Popkov; Nataliya Shmigol and Alexander Chernov, "Choosing the investment business model for the energy industry", Amazonia Investiga Vol: 8 num 20 (2019): 544-558

<sup>5</sup> D. A Bakunts and N. Yu Schlundt, "Legal regulation of investment protection in international private law: the main directions of unification", Modern trends in the development of science and technology Vol: 3-7 (2016): 21-25.

Due to the crisis in the Russian economy, there are serious reductions in the country's external sector and a drop in the results of its foreign economic activity.<sup>6</sup> Moreover, the role of foreign investment for countries in a state of economic crisis is growing as a driver of development.<sup>7</sup> The investment climate in Russia is given a low rating, which is a consequence of the lack of institutions to support investment activities and attract investments, the high role of the state in the economy, the low level of development of the financial market, uncompetitive conditions for foreign economic activity, etc. Moreover, the decisions of potential investors have a strong influence the nature of the Russian legal system, which does not provide sufficient guarantees for investors.<sup>8</sup>

The problem of investment security in Russia is becoming increasingly urgent, since the stock market in the country is speculative, has a high degree of criminalization, price manipulation, and serves as a tool for combating corporate conflicts, which does not contribute to the functioning of investment mechanisms of the securities market in favor of the real sector of the economy.<sup>9</sup>

The specifics of Russian business is its rapid development and direction towards accelerated revenue generation. This is due to economic instability within the country and high risks in doing business. The participation of business in social programs that determine the competitiveness of a company in the global market implies making a profit in the long term, which in the context of Russian reality is another factor that does not play in favor of foreign investment in the Russian economy.<sup>10</sup> Therefore, attracting foreign investment remains a challenge for regional leadership and business; these investments are important for the development of Russian regional industry.<sup>11</sup>

Investments are a serious source of economic growth, but the Russian economy experiences a steady influence of cyclical processes, political and price factors on economic growth, is characterized by agro-industrial specialization in the conditions of political and economic instability, which does not allow for a steady growth rate of investment in fixed assets.<sup>12</sup>

In the post-Soviet space, the investment attractiveness of industries, not counting the natural resource complex and military-industrial complex, is mostly low. An exception is the IT sector, where a number of successes have been achieved in optimizing the management of economic processes in the process of creating, implementing and using

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<sup>6</sup> E. M. Petrikov, "Tendencies of development of the balance of payments and the international investment position of Russia", *Questions of statistics* Vol: 26 num 10 (2019): 46-56.

<sup>7</sup> Alise Mačtama and Arnis Sauka, "Developing Local Entrepreneurship Ecosystems by Foreign Investment", *Foresight and STI Governance* Vol: 13 num 4 (2019): 35-46.

<sup>8</sup> N. A. Serova, "Investment and entrepreneurial climate of Russia in the international space", *National interests: priorities and security* Vol: 14 num 4, 361 (2018): 673-687.

<sup>9</sup> A. L. Dykhova, "Investment security of Russia and the problems of development of the securities market", *Economics and Entrepreneurship* Vol: 9 num 110 (2019): 71-75.

<sup>10</sup> I. V. Dolgorukova, "Corporate social investments in the modern economy: between utilitarianism and social justice", *Contemporary Problems of Social Work* Vol: 4 num 3(15) (2018): 24-32.

<sup>11</sup> Julia Gnezdova; Aleksander Stepanov; Margarita Savina; Olga Dyatlova and Tatyana Gridneva, "Attraction of Foreign Investments as A Condition for Regional Industrial Development in Russia", *Amazonia Investiga* Vol: 8 num 20 (2019): 263-270.

<sup>12</sup> T. N. Gogoleva; G. V. Golikova and P. A. Kanapukhin, "Economic analysis of investments as a source of economic changes", *Studies in Systems, Decision and Control* Vol: 135 (2018): 107-122.

information technologies, products and services, which makes it competitive in the world market and, therefore, attractive for global companies to cooperate in the field of implementation of investment projects.<sup>13</sup>

Moreover, the lack of investment in the implementation of projects developing the logistics infrastructure of Russia is a brake on the activation of export processes for many production areas. The situation in the export of wheat, by the volume of which Russia has become world leaders, is a case in point; however, the state of the logistics infrastructure does not correspond to the fully developed situation, reducing flexibility and increasing the cost of deliveries to the markets of other countries.<sup>14</sup> The situation in the sugar beet subcomplex more critically affects not only the expansion of export potential, but also inhibits the modernization of the industry, determining the low interest of the business and investment in sugar beet production.<sup>15</sup>

The aggravation of political relations between Russia, the United States and the EU countries has not only affected the state of the Russian economy, but also on the assessment of Russia's investment attractiveness. It is relevant to consider the dynamics of foreign direct investment in Russia, investment flows from a country and Russia's position in the ranking of states in terms of net inflow of foreign direct investment.

### **The theoretical basis**

The key concept in the work is the concept of “investment climate”, defined by the system of economic and legal conditions for the implementation of investment activities in the country, which have a significant impact on the level of profitability and risks of investment operations.<sup>16</sup>

The most commonly used concept in the work is “foreign direct investment”; according to the definition of the International Monetary Fund, foreign direct investment is an investment that gives the investor the right to directly participate in the management of an enterprise operating in a foreign territory and involving participation in profit.<sup>17</sup>

### **Methodology**

The theoretical and methodological basis for writing the work was the work of domestic and foreign scientists regarding problems and criteria for assessing the investment climate of countries. The investment climate in Russia, especially under the

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<sup>13</sup> Maryana Melnyk; Ewa Korcelli-Olejniczak; Nelia Chorna and Nazariy Popadynets, “Development of regional it clusters in Ukraine: institutional and investment dimensions”, *Economic Annals-XXI* Vol: 173 num 9-10 (2018): 19-25.

<sup>14</sup> Danil Alexeevich Zyukin; Olga Viktorovna Svyatova; Elena Leonidovna Zolotareva; Anna Yurievna Bystritskaya and Anzhelika Aleksandrovna Alyokhina, “The improvement of the model to develop the infrastructure of the grain product subcomplex as the essential attribute to increase the efficiency and ramp up of Russian grain export”, *Amazonia Investiga* Vol: 9 num 25 (2020): 461-470.

<sup>15</sup> Danil Zyukin; Olga Svyatova and Ruslan Soloshenko, “Conditions and perspectives of russian sugar market development”, *Economic Annal-XXI* Vol: 161 num 9-10 (2016): 47-50.

<sup>16</sup> A. M Lebedev and T. V. Eliseeva, “Investment climate: concept and definitions”, *Problems of the regional economy* Vol: 39 (2017): 33-48.

<sup>17</sup> Yu. M Akimova, “The role of foreign direct investment in the global economy”, *Economics and Entrepreneurship* Vol: 5-1 num 82 (2017): 1029-1034.

influence of the crisis and pressure from the strongest countries from the political and economic point of view, has suffered significantly, although it was not highly rated even before the aggravation of the international situation. A study of the dynamics and directions of foreign direct investment in Russia and investment flows from Russia in the period 2007-2018 shows the volumes of inflow and outflow of investment resources in the country on the eve of and during crises.

Analysis of the volume of investment flows towards the largest partners of Russia abroad and changes in their positions in the rating in 2013, when the consequences of escalating international tension against Russia on the Ukrainian issue in 2018 became obvious, as a stable period after overcoming the 2015-2016 crisis years, should reflect changes in the structure of the most significant partners in Russia in investment matters.

The sample will reflect  $15 \pm 2$  states, since some of them may be among the last in the base period and among the leaders in the reporting period. An assessment of Russia's positions on world leaders in terms of foreign direct investment should presumably reflect Russia's significant lag behind the leading economically developed countries of the European Union and the USA, as well as fast-growing promising Asian economies. And the final point in the analysis of Russia's position in the world in terms of attractiveness to foreign investors will be the assessment of key indicators of economic development of Russia and the countries neighboring it in the ranking by the volume of foreign direct investment in 2018.

The analysis used data from the Central Bank of the Russian Federation<sup>18</sup>, The World Databank The worldbank (World development indicators, n.d.) and the World Atlas of Data Knoema.com.<sup>19</sup>

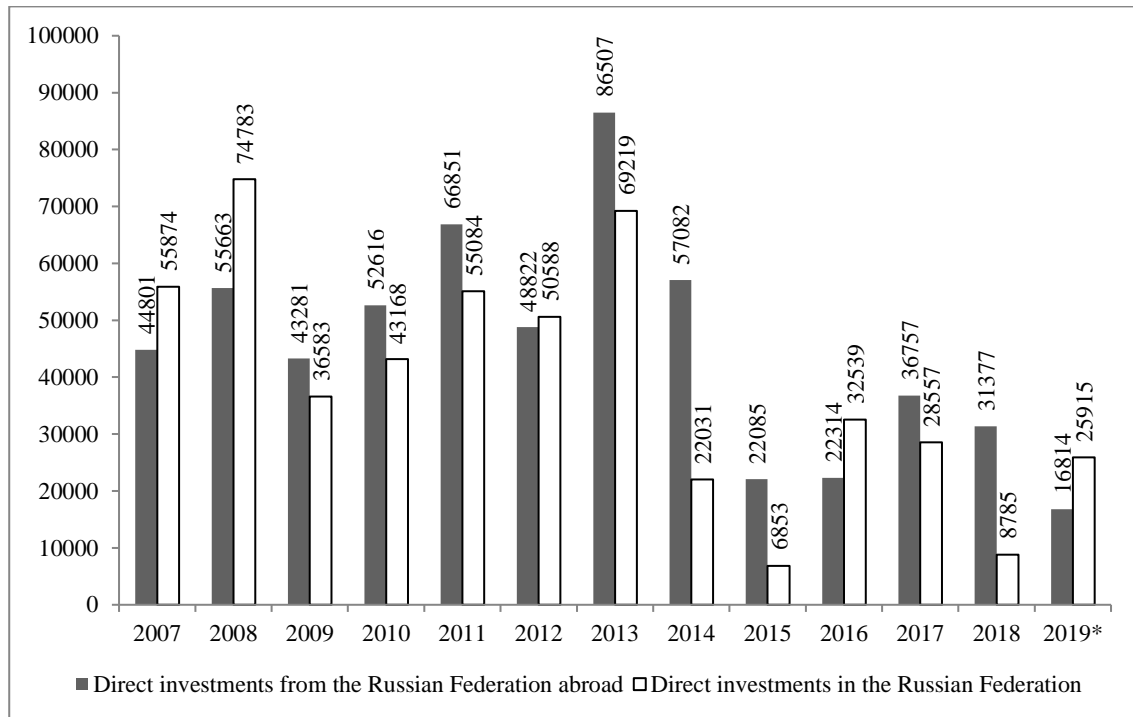
## Results

The movement of investments in Russia and abroad significantly decreased after 2013, when the volume of investments abroad reached a peak in the study period (Figure 1).

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<sup>18</sup> External sector statistics (n.d.), Central Bank of the Russian Federation, Retrieved from [https://www.cbr.ru/statistics/macro\\_itm/svs/](https://www.cbr.ru/statistics/macro_itm/svs/).

<sup>19</sup> World data atlas (n.d.), Knoema.com. Retrieved from <https://knoema.com/atlas>.



\*\* compiled by the authors based on the data of the Central Bank of the Russian Federation (External sector statistics, n.d.)

\* January-September 2019

Figure 1  
Dynamics of direct investments from Russia abroad and from abroad to Russia in 2017-2019, million US dollars

On the eve of the global financial crisis in 2007-2008, there was a predominance of foreign investment in Russia over the withdrawal of capital. A similar situation is evident in 2012, which stabilized after the global financial crisis and when the economy began to decline throughout the world in 2016, and the first stage of capital amnesty ended in Russia. The second stage of capital amnesty was carried out in 2018-2019, but the volume of investments withdrawn during the study period is still \$ 75 billion higher than the volumes introduced into the country. The largest gap in absolute terms between the inflow and outflow of investments was noted in 2014, but in relative terms it was higher in 2018, when the volume of withdrawn investments was 3.6 times higher than those introduced. At the peak of the crisis in 2015, the movement of international investment flows in Russia was weak, but the output of volumes was 3.2 times higher than the input.

The movement of investment flows from Russia abroad and from abroad to Russia has little to do with the movement of real foreign capital, as well as the movement of advanced technologies and managerial decisions in the real sector of the economy. In fact, investments are withdrawn in Russia and there is such a thing as reverse investments, since Russian corporations withdraw funds to subsidiaries registered abroad and return them back in order to avoid taxes, hide illegal or semi-illegal financial schemes and reduce the risk of raider seizure under the guise of foreign direct investment.<sup>20</sup>

<sup>20</sup> N. P. Dementiev, "Foreign direct investment in the Russian economy: movement in a circle", *Interexpo Geo-Siberia Vol: 3 num 1* (2017): 251-255.

Consequently, the so-called offshore zones also prevail among the directions of the withdrawal of Russian capital abroad (table 1).

The country	2013		2018		Change	
	volume	position	volume	position	volume	position
Cyprus	7671	2	10681	1	3010	1
Netherlands	-3022	20	3025	2	6047	18
United Kingdom	1294	9	2626	3	1332	6
Ireland	264	19	2032	4	1768	15
Luxembourg	1314	8	2000	5	686	3
Singapore	304	18	1566	6	1262	12
Bahamas	560	14	1258	7	698	7
Germany	1334	7	1078	8	-256	-1
British Virgin Islands	62223	1	885	9	-61338	-8
Switzerland	1358	5	794	10	-564	-5
USA	739	11	653	11	-86	0
Belarus	863	10	646	12	-217	-2
Turkey	1447	4	534	13	-913	-9
Kazakhstan	671	12	366	14	-305	-2
Bulgaria	554	15	314	15	-240	0
Austria	5265	3	221	16	-5044	-13
Spain	1356	6	136	18	-1220	-12

\* compiled by the authors based on data from the Central Bank of the Russian Federation (External sector statistics, n.d.)

Table 1

Direct investment from the Russian Federation to foreign countries, million US dollars

In total, 84.8 billion US dollars were withdrawn to the leading states for the withdrawal of Russian capital in 2013, and 28.8 billion US dollars in 2018. Cyprus, the British Virgin Islands, the Netherlands, Luxembourg, the Bahamas, Singapore, Austria are on the list of the International Monetary Fund and the Organization for Economic Cooperation and as offshore zones. Consequently, the huge volumes of funds withdrawn from Russia to their territory are a flight of capital, some of which may be returned to Russia in the form of foreign direct investment.

Ireland is one of the best countries in the world in terms of investment incentives and the best countries in Europe for ease of taxing businesses, in addition to having open access to European and American markets, and the Irish State Science Foundation promotes the development of innovative companies in the scientific sector. The minimum authorized capital in Ireland can be as little as 1 Euro, when implementing R&D projects, a 25% tax benefit is granted, the country has the lowest corporate tax in Europe, and a double taxation avoidance agreement has been signed with Russia.<sup>21</sup> On the threshold of the fourth industrial revolution, modern investors are trying to invest in rapidly developing

<sup>21</sup> A. N Lysenko; T. I Sebekina and O. V Laktyushina, "Modern practices to increase the investment attractiveness of the regions", Intellect. Innovation Investments Vol: 3 num 38-42 (2016)

digital technologies, and there are both technical and human resources for the development of science-intensive business in Ireland. Also, the role of Ireland as a transit territory is not ruled out. This is probably why Ireland has added 15 positions in the ranking of countries for the withdrawal of Russian capital abroad.

Many benefits are provided for entrepreneurs in Spain participating in the state investment program, adopted in 2013, and wishing to open a business in Spain, in addition, a Golden residence permit is provided for participants in the state investment program, which is an incomparable bonus for many wealthy Russians, often choosing Spain for moving to a permanent place of residence<sup>22</sup>. But since 2014, a law explaining the origin of capital has begun to operate in Spain more severely, affecting many wealthy Russians whose accounts were frozen in response to the failure to provide documents confirming the legality of the origin of funds in Spain. The dynamics of the position of Spain has deteriorated markedly, since the withdrawal of Russian investments there has declined by almost 10 times.

Switzerland, according to the old tradition of the 1990s, continues to be one of the most popular among Russian elites for storing financial capital, although according to global trends in Russia, the outflow of funds to Switzerland has decreased, dropping it from 5 to 10 position. Great Britain was an equally reliable haven for the Russian capital of the oligarchic stratum; Enormous funds were withdrawn to the UK until sanctions were passed against Russia, after which the United Kingdom also actively launched the “criminal finance” law in 2018, which allows freezing suspicious accounts of foreigners until the owner explains the origin of the funds. Until that moment, London encouraged the entry of capital into the country, handing out Euro visas in exchange from 1 to 10 million. Euro visas guarantee a simplified procedure for obtaining a residence permit and citizenship for investment in the economy. In the dynamics, the withdrawal of investments in the United Kingdom increased, which increased its position to 3 places, but from the perspective of scale and the volume of capital withdrawal in 2018 compared to 2013, it significantly decreased. The export of US capital was stimulated, but the volume of withdrawal of Russian investments in the USA did not decrease too much, leaving them at 11 positions.

The withdrawal of Russian investments in Germany is connected both with the outflow of German capital and with real investments in the development of business in Germany by Russian companies, since there are not only financial and credit conditions in Germany for the development of business, but also technological ones; since a new technological revolution, calling it Industry 4.0, was first talked about in Germany.<sup>23</sup>

Russian investments in Belarus, Kazakhstan, Bulgaria and Turkey, with which partnerships are being built in the field of developing joint projects, declined, as Russia found itself in a difficult financial situation due to sanctions, so Russia's support shifted more towards developing and maintaining political ties. Foreign direct investment in Russia, in the vast majority, falls on offshore zones, which are almost completely carried out through special purpose organizations and the state plays the role of transit zones (table 2).

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<sup>22</sup> A. V. Avilova, “The problem of trade and investment cooperation between Russia and Spain under the conditions of sanctions”, *Ibero-American notebooks* Vol: 1 num 15 (2017): 7-11.

<sup>23</sup> I. N. Krasnov, “Russian direct investment in the German economy: opportunities and risks”, *Panorama* Vol: 29 (2017): 75-82.

The country	2013		2018		Change	
	volume	position	volume	position	volume	position
Netherlands	5716	6	7846	1	2130	+5
United Kingdom	18927	1	2522	2	-16405	-1
Switzerland	1086	9	1690	3	604	+6
British Virgin Islands	9379	4	1223	4	-8156	0
France	2121	8	1134	5	-987	+3
Bahamas	2791	7	1009	6	-1782	+1
Bermuda	404	13	843	7	439	+6
Jersey	509	11	598	8	89	+3
Finland	216	16	582	9	366	+7
USA	485	12	376	10	-109	+2
Japan	369	14	345	12	-24	+2
Germany	335	15	341	13	6	+2
Turkey	207	17	118	14	-89	+3
China	597	10	-13	15	-610	-5
Luxembourg	11638	2	-506	16	-12144	-14
Ireland	10399	3	-3850	17	-14249	-14
Cyprus	8266	5	-10108	18	-18374	-13

\* compiled by the authors based on data from the Central Bank of the Russian Federation (External sector statistics, n.d.)

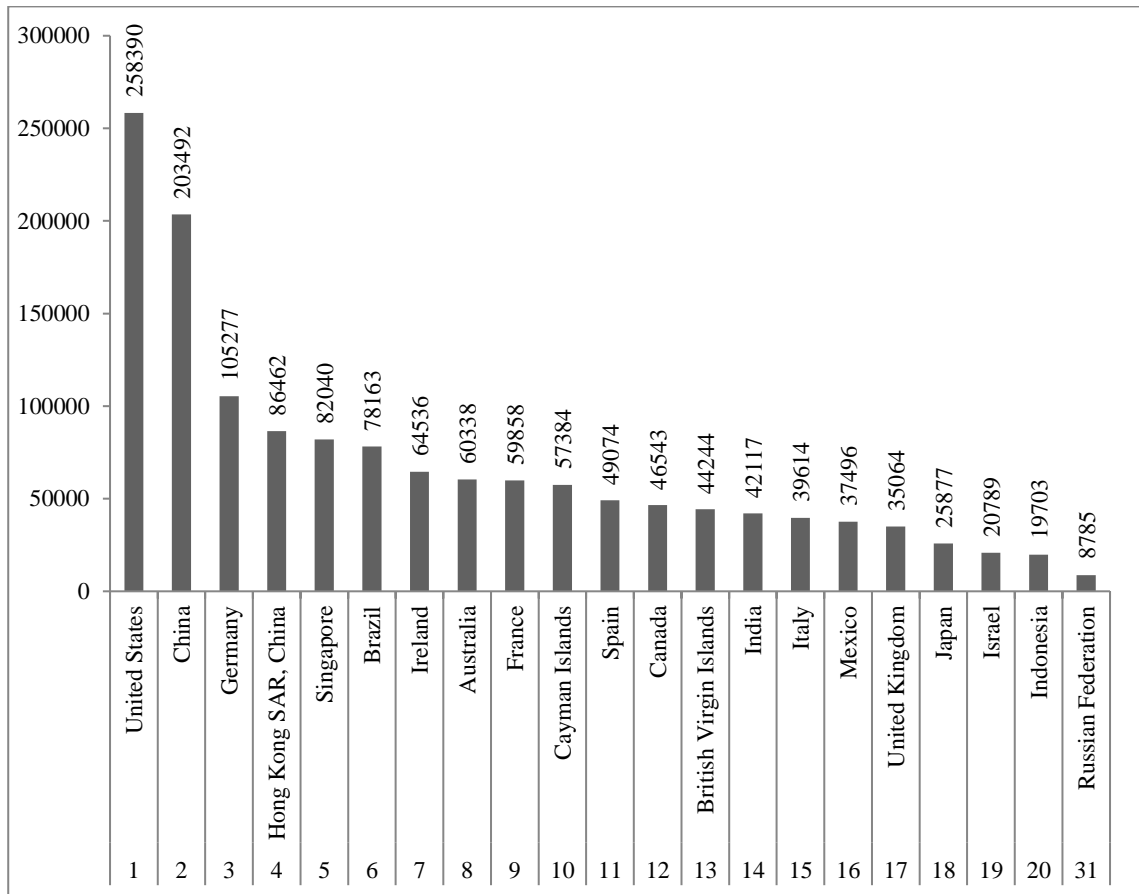
Table 2  
Foreign direct investment in the Russian Federation, million US dollars

In 2013, USD 73.5 billion was introduced into the Russian economy from abroad from the leading countries in terms of foreign direct investment, and USD 4.2 billion in 2018. Jersey and Bermuda should be added to the offshore zones mentioned in analysis of the withdrawal of capital from Russia. The previously withdrawn capital returned to the Russian economy through offshore. It is likely that France and Germany continue to invest in the Russian economy as the largest investors in Europe, despite the sanctions, but it is also allowed that they can also act as transit territories (Dementiev, 2017). The cooperation of Russia with Turkey, China and Japan was talked loudly after the imposition of sanctions; However, investment from real investors, such as Turkey, China and Japan, declined, and China even took part of its capital in 2018.

According to The worldbank,<sup>24</sup> the largest recipient of foreign direct investment is the United States, the volume of direct investment in which was 1.27 times higher in 2018 than that of China, which occupies the second position (Figure 1).

<sup>24</sup> World development indicators (n.d.), The worldbank, Retrieved from <http://datatopics.worldbank.org/world-development-indicators/themes/global-links.html>.





\* compiled by the authors based on data from The worldbank (World development indicators, n.d.)

Figure 2  
World leaders in the net inflow of foreign direct investment in 2018, million US dollars

The ranking of foreign direct investment inflows includes both sustainable economies, which are characterized by a high level of development and fast-growing and highly potential developing economies, as well as offshore zones. It is worth noting that among the world leaders in the influx of direct foreign investment, the total inflow to offshore zones is significantly lower than the total investment invested in the development of real economies. Russia's positions in the ranking are far from the leaders, and the volume of foreign direct investment in Russia in 2018 was 29.4 times lower than in the United States and 2.2 times lower than that of the closing Top-20 Indonesia.

In the ranking, Russia is adjacent to countries whose economies are, to put it mildly, an order of magnitude lower than Russia (table 3).

Country	Foreign direct investment, million US dollars	GDP, million US dollars	Population	GDP capita, per US dollars	Foreign direct investment as% of GDP
Argentina	11872	519500	44494502	11658	2,29
Colombia	11535	330970	49648685	6642	3,49
UAE	10385	414180	9630959	39709	2,51

Philippines	9832	330910	106651922	3104	2,97
Sweden	9022	556070	10183175	54356	1,62
Russian Federation	8785	1657290	144478050	11289	0,53
Malaysia	8570	358580	31528585	11072	2,39
Czech	8494	245230	10625695	23113	3,46
Romania	7344	239550	19473936	12270	3,07
Egypt	6798	249560	98423595	2573	2,72
Peru	6488	225370	31989256	7007	2,88

\* compiled by the authors based on data from The worldbank (World development indicators, n.d.) and Knoema.com (World data atlas, n.d.)

Table 3

Indicators of economic and investment development of Russia and its closest neighbors in the ranking of countries in terms of foreign direct investment in 2018

The share of foreign direct investment in the Russian Federation in% of GDP, compared with the neighboring countries in the ranking, is the lowest. At the same time, per capita GDP, significantly exceeding the number in other countries, is higher than: in Colombia, which is famous for its corruption and criminogenic situation and political instability, but with Russia has similarities in terms of wealth of mineral resources; in the Philippines, which trade with the United States, Japan, China, Singapore, South Korea, the Netherlands, Hong Kong, Germany and others, supplying electronics, semiconductors, vehicles, copper products, clothing, petroleum products, coconut oil and fruits, and are among leaders in the number of free economic zones in their territory; in Malaysia, which is characterized by high economic growth rates and exporting electrical equipment and information and communication technology products, oil, agricultural and natural resources; Peru, where the agricultural and mining sectors are developed, the development of which is facilitated by climatic conditions and the availability of rich mineral resources; and Egypt, which recently survived the unrest, which threw the country back in development. In our opinion, such a neighborhood is caused not so much by a fair assessment of investment opportunities as by the pressure of the United States and sanctions on Russia, cooperation with which for potential investors could turn into big problems that Russian businessmen who had assets and capital abroad already felt.

Nevertheless, Russia needs foreign investment, as the country is on the verge of neo-industrial transformations ahead of the stage of widespread application of breakthrough technologies in the real sector and an increase in the share of high-tech industries in the economy.<sup>25</sup> Russia has both disadvantages and advantages for foreign investment. Among the advantages are rich natural resources, inexpensive skilled labor, a favorable ratio of the ruble and the US dollar, not as stringent environmental safety requirements as in developed European countries, low level of public debt, and the presence of free economic zones. Among the negative factors, the most significant are economic instability, high dependence on the extractive sector and export of energy resources, strong volatility of the stock and foreign exchange markets,<sup>26</sup> administrative barriers in difficulties with paperwork and tax payments, and a high corruption component.

<sup>25</sup> E. I. Inshakova; A. Y Ryzhenkov and A. O. Inshakova, "Neo-industrialization of the Russian economy: technological and digital development", Studies in Computational Intelligence Vol: 826 (2019): 239-250.

<sup>26</sup> P. G Yanova and E. V. Kapralova, "Correlation analysis of quantitative characteristics of the investment climate of the Russian Federation", Financial analytics: problems and solutions Vol: 15 num 249 (2015): 21-31.

One of the serious factors that repel foreign investors has become the complication of Russia's foreign economic policy and the constant extension and strengthening of sanctions. However, the deterioration of relations with the United States and its allies is not necessarily the main reason for the decline in foreign direct investment, since there are alternative sources of investment in the world (China, India, the Gulf countries, etc.).

## Discussions

A popular way to attract foreign investment in the world is to create free economic zones. A good example in this matter has been shown by China, which accounts for more than half of all free economic zones in the world. Russia is among the leaders in the number of free economic zones, although it is significantly inferior to China (130 versus 2543), the Philippines (528), India (373) and the USA (262).<sup>27</sup> There is an opinion, and we partly agree that free economic zones now affect the attraction of foreign direct investment to a greater extent in small and medium-sized countries with weak economies, and the relationship between the availability of free economic zones and the inflow of foreign direct investment will be minimal in countries with powerful economy.<sup>28</sup>

The attractiveness of national economies for foreign investors is linked to the level of economic codes, the development of institutions, administrative barriers and other factors affecting business activities, which are evaluated in various ratings, widely circulated in the press and expert community. In recent years, more and more discrepancies have been observed between the traditional criteria for assessing economic conditions in recipient countries of foreign direct investment and the structure of foreign investors, among which developing economies are becoming increasingly important. While various ratings are traditionally highly rated by developed economies; statistics on the distribution of foreign direct investment reflect stagnation or outflow in developed markets, and the largest influx of foreign direct investment goes to countries with low ranking positions. The investment attractiveness of economies in modern conditions does not depend much on the level of development of institutions, now more importance is attached to the size of the economy (the smaller it is, the more intensive growth will be provided even from one large project), the small size of the starting base, and the origin of foreign investment.<sup>29</sup>

It should be assumed that the influx of foreign direct investment into Russia can have a positive effect on the serious refinement of the legal framework that simplifies the presence of foreign capital in the real sector of the economy and the provision of stable state guarantees to foreign investors.

## Conclusions

It was found that the inflow of direct foreign investment into the Russian economy, mainly from offshore zones and transit territories, is the return of capital previously withdrawn from the economy, while the outflow often exceeds the inflow.

<sup>27</sup> K. Kalman, "Special economic zones and investment promotion: international experience", Scientific works of the Free Economic Society of Russia Vol: 218 num 4 (2019): 297-307.

<sup>28</sup> L. E. Kozlov, "The influence of international politics on attracting foreign investment in special economic zones", Russia and Asia-Pacific Vol: 3 num 101 (2018): 16-30.

<sup>29</sup> V. Yu. Dodonov, "The positioning of national economies in international rankings for assessing the quality of institutions and the influx of foreign investment", Problems of National Strategy Vol: 4 num 49 (2018): 170-185.

Foreign investment in the real sector of the economy is minimal, therefore, despite the movement of investment flows, the development of the Russian economy is rather weak. Of course, the pressure of the United States and its allies on Russia is forcing potential real investors to take a wait-and-see position, and this impedes the implementation of Russia's innovative breakthrough. In general, it is beneficial to many states of the world, including the so-called partners of Russia, which, taking advantage of the hopeless situation of Russia, extract favorable conditions for their work on Russian territory and when buying Russian resources. To increase the investment attractiveness of Russia for foreign investors, first of all, it is worth improving the legal framework, creating a favorable institutional environment, regulating the pricing policy of natural monopolies, and developing favorable taxation conditions, following the example of countries leading in direct foreign investment, especially for knowledge-intensive and high-tech industries, take more stringent anti-corruption measures, and also conduct directed and systematic work to improve the investment image of Russia in the international space, confirming its position with the results of successfully implemented investment projects in Russia with the participation of foreign capital.

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