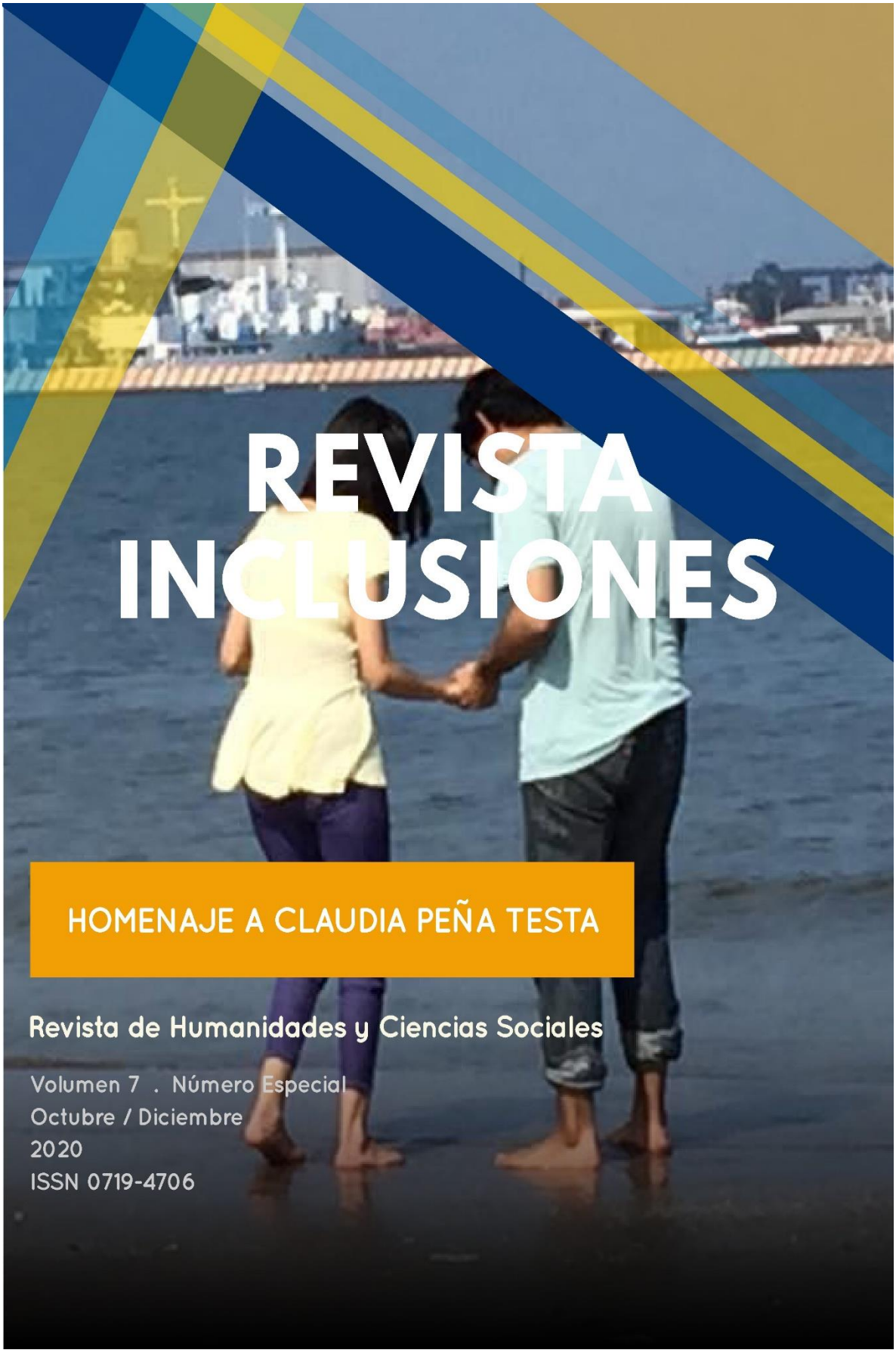

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SANCTIONS AS AN INCENTIVE FOR FORMATION OF THE IMPORT SUBSTITUTION POLICY OF RUSSIA

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Abstract

Nowadays, Russia is experiencing collective pressure in the form of economic sanctions from the United States and Western Europe. All taken sanctions were aimed at weakening the Russian economy and its maximum isolation. In such conditions, the problem of assessing the effectiveness of the sanctions policy is extremely urgent. The methodological approach for assessing the degree of effectiveness of economic sanctions in this research provides by three stages: determining the level of dependence of the Russian economy on international trade, assessing the level of development of the national economy, and assessing the policy of import substitution. Assessment of the relationship between GDP, exports and imports indicates about a high level of dependence of the Russian economy on international trade, except for the period 2008-2018. A comprehensive assessment of the competitiveness of the constituent entities of the Russian Federation demonstrates the negative development of the Russian economy.

Keywords

Sanctions – Economic sanctions – Import substitution – Russian exports – Russian imports

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Introduction

Sanctions have a very long history. If in the 1950s the 15 cases of the imposition of sanctions were noted, in the 1960s it was noted 20 cases, in the 1970s it was noted 37, in the 1980s - 23 and more than 50 cases in the 1990s. Most of the sanctions were announced unilaterally by the United States[1]. But in the XXI century the Western European countries began to actively join to it by the initiative of the United States. Russia is experiencing such kind of collective pressure nowadays.

There is no adequate definition of "Economic sanctions" (ES) in any international document. There is a separate concept "UN Sanctions". UN Sanctions on the basis of Chapter VII of the UN Charter can be adopted by the Security Council. It is interpreted as coercive measures to maintain or restore international peace and security. In accordance with the article 41, sanctions measures include a wide range of non-military enforcement options. Since 1966 the Security Council has introduced 30 sanctions regimes[2].

Let's consider some definitions of the concept "Economic sanctions". G. C.Hufbauer, J.Schott, K. A. Elliott define sanctions as "a deliberate, government-initiated rupture or threat of rupture of normal economic relations"[3]. Abi Saab G. refers to sanctions any measures of coercion, regardless of whether they are associated with the usage of armed forces or are exclusively economic character, as well as moral condemnation or censure[4]. M.S. Daoudi, M.S. Dajani defines sanctions as punitive operations, unilateral or collective actions initiated by a group of subjects of international economic relations, especially international organizations, against a country that they consider to be a violator of international law, aimed at making this state comply with the rules and change its policy[5]. In this definition, the object of sanctions is a lawbreaker.

According to the approach of M.P.Doxey economic sanctions are means“... the influence of one government on the behavior of another, which can be used as a coercive measure to achieve specific goals related to trade, conflict resolution, etc., and which is conditionally legitimate”[6]. According to the approach of M. Klinov economic sanctions are preventive measures that allow to quickly respond to problems and changes in policy that do not correspond to European values and goals[7].

The reviewed definitions of ES indicate that foreign researchers are generally unanimous in their approach to defining economic sanctions as an economic category.

[1] M. Melanina, “The Role of Sanctions in Modern Conditions of Globalization and their Impact on the Russian Economy”, The Genesis of Genius num 1 (2016): 16-19.
[2] Actions against threats to peace, violations of peace and acts of aggression. Organization of United Nations. Retrieved from: https://www.un.org/ru/sections/un-charter/chapter-vii/index.html
[3] G. C. Hufbauer; J. J. Schott y K. A. Elliott, Economic Sanctions Reconsidered: History and Current Policy (Washington, DC: Peterson Institute for International Economics, 1990)
[4] G. Abi Saab, The Concept of Sanctions in International Law.United Nations Sanctions in International Law (London: The Hague, 2001)
[5] M. S. Daoudi y M. S. Dajani, Economic Sanctions: Ideals and Experience (London: Routledge & Kegan Paul, 1983)
[6] M. P. Doxey, International Sanctions in Contemporary Perspective (London: MacmillanPress, 1987)
[7] M. Klinova y E. Sidorova, “Russia - European Union: Continuation of the Sanctions Confrontation”, Economic issues num 6 (2017): 114-127

We consider that in modern conditions, a characteristic feature of economic sanctions is that they are used under the cover of political motives, as a form of competition for economic leadership. Thus, economic sanctions are a form of competitive struggle between some countries against others, by means of the measures of coercive influence of another state (or a group of states) imposed against states or firms in order to destabilize their competitors.

It can be highlighted the following types of economic sanctions off all the variety of economic sanctions: embargo; economic measures of a prohibitive nature; reduction of tariffs; export and import ban; ban on financial transfers; freezing of foreign assets of the state and its companies; isolation of the country by prohibiting entry to other countries; rejection of joint projects; suspension of rights and privileges arising from membership in international organizations.

The characteristics of the sanctions imposed against Russia are presented in Table 1.

Oil Gas	Finance	Nuclear industry	Military industry	Aviation, cosmonautics	Construction	Trade	Mass media	Visa	Individuals
39 (except Japan, New Zealand)	39	1 (USA)	39	5 (UK, Canada, USA, Ukraine, Japan)	36	38	2 Ukraine, Latvia	41	38

Table 1
Sanctions against Russia

Countries that supported sanctions against Russia: Austria, Albania, Belgium, Bulgaria, Great Britain, Hungary, Germany, Greece, Denmark, Ireland, Iceland, Spain, Italy, Canada, Cyprus, Latvia, Lithuania, Liechtenstein, Luxembourg, Malta, Moldova, Nederland, New Zealand, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, United States, Ukraine, Finland, France, Croatia, Montenegro, Czech Republic, Switzerland, Sweden, Estonia, Japan. *Countries that did not support sanctions against Russia:* China, Brazil, India, South Africa.

More than 60 of the most important for the economy Russian companies have come under sanctions. For instance, VGTRK; SJSC "Chernomorneftegaz"; GC "State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank)"; SE "Kerch Commercial Sea Port"; NPO "Izhmash"; JSC "Bank "Russia"; JSC "Bank of Moscow"; JSC "Vneshtorgbank - VTB"; JSC "Gazprombank"; JSC "InvestCapitalBank"; JSC "Concern Kalashnikov; JSC "NK Rosneft"; JSC "NPK Uralvagonzavod"; JSC "Military-Industrial Corporation NPO Mashinostroeniya"; JSC "Voentelecom"; JSC "Instrument making design bureau"; JSC "Novatek"; JSC "United shipbuilding corporation"; JSC "RosEnergoBank", etc.

According to Table 2, the sanctions affect the oil, gas, financial, military, construction industries and trade, as well as visa restrictions and various prohibitions for certain individuals.

	Defense industry	Finance, investment	Agriculture	Fuel and energy complex	Manufacturing	Construction	Transportation	Others
Number of Russian companies	52	130	13	106	34	34	22	36
In percents (%)	13	31	3	25	8	8	5	8

Table 2
Sectoral distribution of Russian companies in the sanctions lists

For example, the oil and gas industries are crucial industries for the Russian economy, and therefore 39 countries imposed sanctions to pressure this country. The financial industry also did not remain without sanctions, 39 countries imposed sanctions against Russian banks "supporting efforts to interfere in elections abroad", and large investments in Russian pipelines, in particular "Nord Stream 2" were also banned. Russian construction companies were subject to restrictions for their participation in the construction of gas pipeline "Nord Stream 2".

Thus, all the sanctions were aimed at weakening the Russian economy and its maximum isolation. In these conditions, the problem of assessing the effectiveness of the sanctions policy is extremely actual.

Brief Literature Review

Our research is based on the papers of leading scientists, who have made a significant contribution to the development of the investigation of the effectiveness of sanctions and analysis of the implementation of import substitution in the Russian economy as a form of countering sanctions.

B.Taylor identifies 3 main scientific approaches to determining the effectiveness of the sanctions policy: "sanctions do not work", "sanctions as a symbolic instrument of foreign policy", and "sanctions can ensure the achievement of the set goals"[8].

The fact that sanctions do not work is presented in the collective monograph "Rethinking of Economic Sanctions: history and contemporary politics" by researchers from the Peterson Institute for world economy, who came to the conclusion that international economic sanctions achieve their goal in 1/3 of over 100 cases of analyzed cases[9]. Accordingly, the remaining 2/3 cases are ineffective.

A similar point of view is supported by J. Galtung: "the possibility of success of the sanctions policy seems to be generally low", taking into account their main goal - "political destabilization of the rival, which forces him to abandon defending his national interests" as a result of economic losses from sanctions[10].

[8] B. Taylor, Sanctions as Grand Strategy (London: Routledge, 2010).
[9] G. C. Hufbauer; J. J. Schott y K.A. Elliott, Economic Sanctions Reconsidered: History and Current Policy…
[10] J. Galtung, "On the Effects of International Economic Sanctions. With Examples from the Case of Rhodesia", World Politics Vol: 19 num 3 (1967): 386.

J. Galtung describes the emergence of the effect of "uniting around the flag", i.e. the ability of the society of the country - the object of sanctions - to adapt to new conditions both in psychological and economic aspects. J. Mayall held the same opinion (in the first half of the 1980s)[11] and A. Addis[12]. Moreover, J. Galtung expresses the point of view, in the long term; sanctions often enhance the development of the national industry in the country, *reducing import dependence from the outside world*. The next factor that significantly reduces the effectiveness of sanctions, J. Galtung highlights the complex process of their implementation, and above all the lack of a common mechanism for their application by the leading subjects of international economic relations, which determines the consistency of their strategy and opens up a "window of opportunity" for the country - the object of sanctions for its own countermeasures[13].

Japanese scientist M. Miyagawa considers that the degree of efficiency depends on three conditions: the level of dependence on international trade, the level of development of the national economy, and participation in the sanctions of the country's most important trading partners - the target of sanctions[14]. *We consider that when assessing the effectiveness of ES, the attention should be paid to these three conditions, as well as to the thesis of J. Galtung on reducing import dependence from the outside world.*

V. Kruglov, V. Mau, V. Polterovich, E. Yashin and other researchers, before the impose of sanctions, drew attention to the necessity to overcome the problems of reproduction in the country and regions, to the necessity to move to a qualitative economic growth. Exactly this point, in the case of the impose of ES, should promote to reduce the effectiveness of sanctions.[15].

Based on these theoretical propositions and completely rely on it, we consider that import substitution should become an important element of the economic policy of the Russian Federation in the context of sanctions, as a major breakthrough in the economic development and confirm the ineffectiveness of sanctions. The main goal of the import substitution policy is to stimulate national production, develop new products, stimulate demand and import restrictions. Analysis of the content of the researches of Russian scientists devoted to the issues of import substitution suggests that Russian enterprises have the potential for import substitution, which can be realized with some government support.[16]

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[11] J. Mayall, “The sanctions problem in international economic relations: Reflections in the light of recent experience”, International Affairs num 60 (1984): 631-642.

[12] A. Addis, “Economic Sanctions and the Problem on Evil”, Human Rights Quarterly Vol: 25 (2003): 573-623.

[13] J. Galtung, “On the effects of international economic sanctions, with examples from the case of Rhodesia”, World Politics num 19 (1967): 378-416.

[14] M. Miyagawa, Do Economic Sanctions Work? (New York: St. Martin’s Press, 1992)

[15] V.N. Kruglov, “Factors of ensuring the innovative development of the Russian economy at the modern stage”, Regional Economy Vol: 25 num 208 (2011): 22–26; V. Mau, “Economic policy of 2010: in search of innovation”, Economic Issues num 2 (2011): 4–22; V. Polterovich, “Hypothesis about innovation pause and modernization strategy”, Problems of Economics num 6 (2009): 4–23 y E. Yashin, M. Snegovaya, “The role of innovations in the development of the world economy”, Problems of Economics num 9 (2009): 15–31.

[16] O. V. Karsuntseva, “Russian mechanical engineering: a course towards import substitution”, Actual problems of economics and law num 1 (2016): 48-61; S. D. Bodrunov, Theory and practice of import substitution: lessons and problems: monograph (St. Petersburg: INIR named by S.Y. Witte, 2015) y

However, an important point is the understanding of how to construct this strategy correctly and which industries to start with. When we speak about the possibilities of import substitution, it is obvious to remember the experience of Latin America during the Great Depression (a new economic policy known as the "industrialization of import substitution") and Southeast Asia (Southeast Asia) in the middle of the last century. The success of the countries of Latin America motivated China, India and some African countries to adopt similar policies in the 1960s[17] One of the best examples of import substitution policy is the United States (for example, Kwon[18] & Kurre[19]). However, in Southeast Asia, this policy did not achieve the expected effect, it was due to the small size of the domestic market[20]. The policy was based on deterrent measures. In modern conditions, the possibility of restrictive measures is significantly reduced. Nowadays, incentives are a priority in the import substitution policy. An important regulatory factor is the usage of government and industry programs.

Criticism of the import substitution policy in most cases is aimed at the fact that the governments of the "peripheral" countries have gone to the extreme of industrial development, realizing the goal of making the economy self-sufficient. The mistake was that the advantages offered by the international division of labor were ignored[21], which led to the loss of the opportunity to participate in global competitiveness. This situation has been termed "import substitution syndrome"[22]).

Methodology of Research

The theoretical thesis considered above determined the methodology of this research, which involves the implementation of three stages of analysis and assessment of the degree of efficiency of ES: determining the level of dependence of the Russian economy on international trade, assessing the level of development of the national economy, assessing the import substitution policy.

At the first stage of this research, we determined the level of dependence on international trade using correlation-regression analysis. The indices of the physical volume of the gross domestic product, exports and imports were selected as empirical data. We used linear models of the dependence of the physical volume of gross domestic product on

E. V. Volkodavova, “Formation of the policy of import substitution in the industry of the Russian Federation”, Humanities, socio-economic and social sciences num 5 (2016): 151-156.

[17] H. Bruton, “A Reconsideration of Import Substitution”, Journal of Economic Literature Vol: 36 (1998): 903–936 y J. Kwon, Import Substitution at the Regional Level: Application in the United States. (Atlanta: Federal Reserve Bank of Atlanta, 2010). Retrieved from: http://www.frbatlanta.org/documents/news/conferences/10smallbusiness_kwon.pdf

[18] J. Kwon, Import Substitution at the Regional Level…

[19] J. Kurre, Building Erie by Buying Erie: An Import Substitution Strategy for Erie County, Erie, PA: Economic Research Institute of Erie, Penn State Erie, The Behrend College. 2011. Retrieved from: http://www.planerieregion.com/uploads/PDF/Import%20Substitution%20Strategy%20Building%20Erie%20By%20Erie.pdf

[20] A. P. Kireev, International Economics. In: International microeconomics: the movement of goods and factors of production: Textbook for high schools (Moscow: International relations, 1997)

[21] W. Baer, “Import Substitution and Industrialization in Latin America: Experiences and Interpretations”, Latin American Research Review Vol: 7 num 1 (1972): 95–122; H. Bruton, “A Reconsideration of Import Substitution… y R. Narula, Switching from Import Substitution to the New Economic Model in Latin America: A Case of Not Learning from Asia. Strategic Management Society Working Paper num 4 (Maastricht: Maastricht University, 2002).

[22] H. Bruton, “A Reconsideration of Import Substitution…

exports and imports for three time periods: 1997-2008; 2008-2018; 1997-2018. At the second stage of the correlation analysis, we used the absolute values of the physical volume of gross domestic product, exports, imports (million USD) for three time periods: 1996-2018, 1996-2008; 2008-2018. The stages were chosen according to the cycles of economic development:

- December 1996 - November 1997: brief recovery growth, interrupted by the crisis that came to Russia from Southeast Asia;

- December 1997 - September 1998: recession caused by events in Southeast Asia and ended shortly after the default;

- October 1998 - May 2008: growth, initially having as its source import substitution, caused by the multiple devaluation of the ruble;

- June 2008 - May 2009: recession caused by the turbulence of the global financial system;

- June 2009 - December 2014: growth, which in 2012 turned into stagnation due to the exhaustion of growth opportunities within the framework of the previous model of the Russian economy, focused on the export of rising oil prices;

- January 2015 - to the present: a recession that began due to the exhaustion of the previous growth model and was aggravated by the fall in oil prices, sanctions by Western countries and their own restrictions on imports.

In long-wave vibrations it can be distinguished two phases: rise and fall. According to the calculations of S.V.Smirnov, N.V. Kondrashov, A.V.Petronevich: it was "fall" in 1996, it was "peak of development" in 1997, and it was also "fall" in 1998, it was "peak" in 2008, and it was "fall" in 2009[23]. Based on these results, we distinguish the following periods - 1996-2018, 1996-2008; 2008-2018.

At the second stage of this research, we relied on our research[24] analysis of the competitiveness of the regions of the Russian Federation. For calculation, we used the integral indices*: the current competitiveness of the region, the competitiveness of the industry in the region; manufacturing industries; production and distribution of electricity, gas and water; development of infrastructure and communications; innovative development of the region; foreign economic activity.*

These indices represent the aggregate ranking of a region for each factor group. They are calculated on the basis of the indicators actually achieved by the regions using the method of multivariate comparative analysis. As a result, we get five ratings (R1-R5) for each region of the Russian Federation.

The integral indicator (II) is calculated using the formula:

$$II = \sum w_i x_j \qquad (1)$$

[23] S. V. Smirnov; N. V. Kondrashov y A. V. Petronevich, “Turning points of the Russian economic cycle, 1981–2015”, HSE Economic Journal Vol: 19 num 4 (2015): 534-553.

[24] N. V. Kuznetsova, Assessment of the potential for integration of Russia and the countries of the Asia-Pacific Region (Vladivostok: Mor. state un-t, 2016)

where, W - weights R (there are 5 of it); xj - particular criteria for regions, measured on a unified scale from 0 to 1.

Based on the calculated data, we group the regions with rating points. Based on the distribution of rating indicators, we draw conclusions about the degree of competitiveness of the country's regions.

The number of groups is seven. The range of variation is 0.084. Thus, we get 7 groups of regions, formed by competitiveness indicators:

I - developed (0.603 - and higher)

II - medium developed (0.519 - 0.603)

III - lagging (0.435 - 0.519)

IV - medium lagging (0.351 - 0.435)

V - restrictedly developing (0.267 - 0.351)

VI - depressive (0.183 - 0.267)

VII - undeveloped (0.099 - to 0.183)

At the third stage, we evaluate the import substitution policy. The relevance of the import substitution program in the country was obvious long ago, since the indicators of the share of imported goods in a number of industries exceeded 80%. The import substitution policy in modern Russia began after the crisis of 1998. In the 2000s import substitution was stimulated by large-scale government support for key industries. Agriculture is one of these industries. The documents, directly aimed at the implementation of import substitution in agriculture, were the Resolution of December 19, 2014 No. 1421 "Amendments to the State Program for the development of agriculture and regulation of agricultural products, raw materials and food markets for 2013-2020". Assessing the effectiveness of import substitution, we focus on food products, crop production, animal husbandry, import substitution of meat and meat products, milk and dairy products.

Rosstat agency uses as an indicator the share of imports of individual goods in their commodity resources in physical terms, where the resources are the sum of production and imports according to the list of commodity items limited by Rosstat agency order[25]. We analyze the import and export baskets, evaluate the revealed comparative advantages for the main commodity groups (RCA), product complexity index (PCI), reflecting the level of technological complexity of exported goods, its share in imports.

Results

The following dependencies were identified during assessing the dependence of GDP on international trade using correlation analysis.

[25] Rosstat order N 457 "On approval of the official statistical methodology for balance calculations of commodity resources of certain goods". November 29, 2013.

In the period 1997-2018, the relationship between the indices of the physical volume of the gross domestic product, exports, imports is strong (R = 0.81). 65.4% of the change in the indices of the physical volume of the gross domestic product is explained by the change in the indices of exports and imports.

With increasing in the export index by 1% from the previous year, the index of the physical volume of the gross domestic product will increase by 0.13% from the previous year. The coefficient is significant at the 5% significance level. Interpretation of the confidence interval: with an increase in the export index by 1% from the previous year, the index of the physical volume of the gross domestic product will increase by an amount from 0.04 to 0.23% from the previous year.

With increasing in the import index by 1% from the previous year, the index of the physical volume of the gross domestic product will increase by 0.5% from the previous year. The coefficient is not significant at the 5% significance level. Interpretation of the confidence interval: with an increase in the export index by 1% from the previous year, the index of the physical volume of gross domestic product may either decrease by 0.06% or increase by up to 0.11% from the previous year. *Thus, we observe a strong direct relationship between GDP and exports (r = 0.80) and between GDP and imports (r = 0.70)*.

In the period 1996-2018, *the relationship between the physical volume of gross domestic product, exports, imports is strong (R = 0.83).* 69% of the change in the physical volume of gross domestic product is explained by changes in exports and imports.

With increasing in exports by 1 million dollars, the physical volume of gross domestic product will decrease by 0.09 billion rubles. The coefficient is not significant at the 5% significance level. Interpretation of the confidence interval: with an increase in exports by 1 million dollars, the physical volume of gross domestic product may either decrease by up to 0.45 billion rubles, or increase by 0.271 billion rubles.

With increasing in imports by 1 million dollars, the physical volume of the gross domestic product will increase by 0.42 billion rubles. The coefficient is not significant at the 5% significance level. Interpretation of the confidence interval: with an increase in exports by 1 million dollars, the physical volume of gross domestic product can either decrease to 0.16 billion rubles or increase by an amount up to 1 billion rubles *Thus, we observe a strong direct relationship between GDP and exports (r = 0.81), but medium direct relationship between GDP and imports (r = 0.83).*

In the period 1997-2008, the relationship between the indices of the physical volume of the gross domestic product, exports, and imports is strong (R = 0.77). 58.5% of the change in the indices of the physical volume of the gross domestic product is explained by the change in the indices of exports and imports.

With increasing in the export index by 1% from the previous year, the index of the physical volume of the gross domestic product will increase by 0.15% from the previous year. The coefficient is significant at the 5% significance level. Interpretation of the confidence interval: with an increase in the export index by 1% from the previous year, the index of the physical volume of the gross domestic product will increase by an amount from 0.02 to 0.29% from the previous year.

With increasing in the import index by 1% from the previous year, the index of the physical volume of the gross domestic product will increase by 0.02% from the previous year. The coefficient is not significant at the 5% significance level. Interpretation of the confidence interval: with an increase in the export index by 1% from the previous year, the index of the physical volume of gross domestic product may either decrease by 0.09% or increase by up to 0.13% from the previous year. *Thus, we observe a strong direct relationship between GDP and exports (r = 0.76), but medium direct relationship between GDP and imports (r = 0.52).*

In the period 1996-2008, the relationship between the physical volume of gross domestic product, exports, and imports is strong (R = 0.99). 97.8% of the change in the physical volume of gross domestic product is explained by the change in exports and imports.

With increasing in exports by 1 million dollars, the physical volume of gross domestic product will increase by 0.14 billion rubles. The coefficient is significant at the 5% significance level. Interpretation of the confidence interval: with an increase in exports by 1 million dollars, the physical volume of gross domestic product will increase by an amount from 0.09 to 0.2 billion rubles.

With increasing in imports by 1 million dollars, the physical volume of the gross domestic product will decrease by 0.08 billion rubles. The coefficient is not significant at the 5% significance level. Interpretation of the confidence interval: with an increase in exports by 1 million dollars, the physical volume of gross domestic product may decrease to 0.17 billion rubles. and will increase by up to 0.01 billion rubles. *Thus, we observe a strong direct relationship between GDP and exports (r = 0.98), but medium direct relationship between GDP and imports (r = 0.95).*

In the period 2008-2018, the relationship between the indices of the physical volume of the gross domestic product, exports, imports is strong (R = 0.88). 76.7% of the change in the indices of the physical volume of the gross domestic product is explained by the change in the indices of exports and imports.

With increasing in the export index by 1% from the previous year, the index of the physical volume of the gross domestic product will increase by 0.04% from the previous year. The coefficient is not significant at the 5% significance level. Interpretation of the confidence interval: with an increase in the export index by 1% from the previous year, the index of the physical volume of gross domestic product may either decrease by 0.16% or increase by up to 0.24% from the previous year.

With increasing in the import index by 1% from the previous year, the index of the physical volume of the gross domestic product will increase by 0.08% from the previous year. The coefficient is not significant at the 5% significance level. Interpretation of the confidence interval: with an increase in the export index by 1% from the previous year, the index of the physical volume of gross domestic product may either decrease by 0.11% or increase by up to 0.28% from the previous year. *Thus, we observe a strong direct relationship between GDP and exports (r = 0.86) and between GDP and imports (r = 0.87)*.

In the period 2008-2018, there is no relationship between the physical volume of gross domestic product, exports, and imports (R = 0.21). 5% of the change in the physical volume of gross domestic product is explained by changes in exports and imports.

With increasing in exports by 1 million dollars, the physical volume of gross domestic product will decrease by 0.25 billion rubles. The coefficient is not significant at the 5% significance level. Interpretation of the confidence interval: with an increase in exports by 1 million dollars, the physical volume of gross domestic product may either decrease by 1.15 billion rubles or increase by 0.65 billion rubles. With increasing in imports by 1 million dollars, the physical volume of gross domestic product will increase by 0.40 billion rubles. The coefficient is not significant at the 5% significance level. Interpretation of the confidence interval: with an increase in exports by 1 million dollars, the physical volume of gross domestic product may either decrease to 1.08 billion rubles, or increase by an amount up to 1.89 billion rubles. *Thus, imports and exports do not affect the value of GDP*.

Figure 1 demonstrates the synchronicity of changes in GDP, exports and imports of Russia.

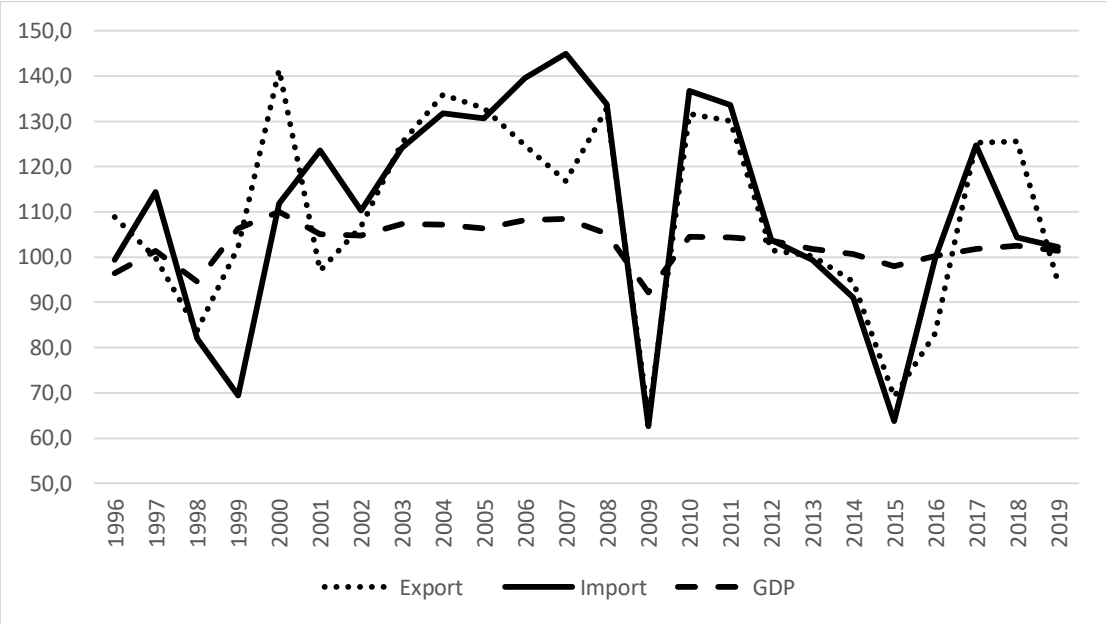


Figure 1[26]
Exports and imports of the Russian Federation, as a percentage of the previous year (according to customs statistics)

Thus, it is obvious that there is a strong direct relationship between the indices of the physical volume of GDP, exports and imports in all periods (1997-2008; 2008-2018; 1997-2018). In the period 1997-2008 it is slightly decreasing in terms of imports, which is determined by the default and the crisis of 2008, but a strong direct connection was recovering in the period 2008-2018. The relationship between the physical volume of GDP, exports and imports for the periods (1996-2018; 1996-2008) is strong. This indicates a high level of dependence of the Russian economy on international trade. But in the period 2008-2018 import and export do not affect on the size of the physical volume of GDP. It gives a reason to assume about serious problems of the strategy for the development of export and import policies, about the quality problems of export and import baskets. We will consider it below.

[26] Federal State Statistics Service. Retrieved from: https://www.gks.ru/

As a result of a comprehensive assessment of the competitiveness of the constituent entities of the Russian Federation, we received the following distribution of regions (presented in Table 3).

Groups	**Regions of Russian Federation**
I – developed	Moscow
II - medium developed	-
III - lagging	Moscow region
IV - medium lagging	Saint Petersburg; Republic of Tatarstan; Tyumen region
V - restrictedly developing	Belgorod region; Kaluga region; Kaliningrad region; Leningrad region; Krasnodar region; Rostov region; Republic of Bashkortostan; Nizhny Novgorod Region; Samara Region; Sverdlovsk region; Chelyabinsk region; Krasnoyarsk region; Sakhalin Region.
VI - depressive	Bryansk region; Vladimir region; Voronezh region; Ivanovo region; Kursk region; Lipetsk region; Oryol region; Ryazan regin; Smolensk region; Tambov region; Tver region; Tula region; Yaroslavl region; Komi republic; Arhangelsk region; Vologodskaya region; Murmansk region; Novgorod region; Republic of Adygea; Volgograd region; Republic of North Ossetia - Alania; Stavropol region; The Republic of Mordovia; Udmurt republic; Chuvash Republic; Perm Territory; Orenburg region; Penza region; Saratov region; Ulyanovsk region; Altai region; Irkutsk region; Kemerovo region; Novosibirsk region; Omsk region; Tomsk region; The Republic of Sakha (Yakutia); Primorsky region; Khabarovsk region; Amur region; Magadan region; Chukotka Autonomous district.
VII - undeveloped	Kostroma region; Republic of Karelia; Pskov region; Republic of Kalmykia; The Republic of Dagestan; The Republic of Ingushetia; Kabardino-Balkarian Republic; Karachay-Cherkess Republic; Chechen Republic; Mari El Republic; Kirov region; Kurgan region; Altai Republic; The Republic of Buryatia; Tyva Republic; The Republic of Khakassia; Transbaikal region; Kamchatka region; Jewish Autonomous Region.

Table 3
Distribution of Russian regions by groups[27]

Thus, we see that the most part of the regions fall into the group of depressed and undeveloped regions. Consequently, we can talk about the negative condition of development of the Russian economy, the almost complete underdevelopment of manufacturing industries, the lack of a unified strategy for planning industrial development within the framework of the national industrial policy, and the presence of a number of threats to economic security.

Right now, when the share of the direct influence of the state is becoming less and less, it becomes obvious the necessity to increase it. This is especially manifested at the level of repayment of the negative impact of externalities through the redistribution of income through the state budget or the redistribution of benefits obtained from positive externalities, an administrative ban on the usage of harmful technologies, the exploitation of natural resources, etc. Government adjustments to the actions of the market mechanism mitigate

[27] N. V. Kuznetsova, Assessment of the potential for integration…

or even eliminate the negative consequences of market forces, manifested in external effects.

It is vitally necessary to reorient the industry to an advanced way of development, which implies the necessity to solve a set of accumulated interrelated problems in the legislative, regulatory, financial, economic, educational, personnel and other spheres. The problems which are typical for Russian industry in the late 1990s and 2000s remain unresolved: moral and physical aging of fixed assets, insufficient investment attraction, low level of innovation activity of enterprises, personnel problems, etc.

Consequently, we see that by the time of the introduction of economic sanctions Russia came not quite prepared for a quick maneuver. And it should have in mind that all these problems were superimposed on a pandemic.

Import substitution. After analysis of the data of imports and exports of Russia by Russian regions (Table 4), we can say with confidence that the Central Federal District is the main exporter, as well as the main consumer. It is due to the concentration of large industries in one district, as well as to the demographic situation in this district. Also one of the largest importers is the Northwestern Federal District. However, in 2016, exports and imports in this region decreased significantly, but in the Northwestern, Southern and Far Eastern Federal Districts, exports increased, and imports increased in the Northwestern and Southern Federal Districts.

	2011		2013		2014		2015		2016		2018	
	export	import	export	import	export	import	export	import	export	import	export	import
Central Federal District	44,1	60,8	48,8	61,2	51,3	60,6	49,2	59,5	25,5	50,5	50,3	62,9
Northwestern Federal District	11,6	19,2	9,9	18,1	11,2	19,0	11,6	18,6	15,4	29,0	11,3	15,8
Southern Federal District	4,0	4,2	3,6	3,9	4,1	3,9	4,0	4,1	30,8	10,2	4,5	4,0
Volga Federal District	12,1	5,0	13,0	6,0	12,8	6,2	12,2	6,2	6,0	2,6	9,6	6,2
Ural Federal District	15,6	3,7	12,1	3,3	7,6	3,0	7,9	3,9	1,3	1,0	9,1	4,0
Siberian Federal District	6,9	3,2	6,9	2,9	7,0	2,8	8,8	3,8	3,7	2,3	8,6	4,0
Far Eastern Federal District	5,3	3,2	5,3	3,9	5,8	3,7	6,0	3,2	15,4	3,3	6,3	2,6
North Caucasian Federal District	0,3	0,7	0,2	0,7	0,3	0,7	0,3	0,6	1,9	1,0	0,3	0,4

Table 4[28]

Import and export of Russia by districts of Russia

A large drop of GDP, imports, exports is observed in 2008-2010 (Figure 2). It is due to the financial crisis that swept the whole world. We also see a gradual drop in imports and exports of goods from 2012-2013, this is due to a decrease in oil prices, which caused a decrease in contract prices.

[28] Federal State Statistics Service. Retrieved from: https://www.gks.ru/

A large drop in exports and imports in 2014-2015 is associated with sanctions against Russia. At the same time, no significant drop in GDP was observed. By 2017-2018 exports and imports began to recover, but the level of 2010-2011 has not reached yet.

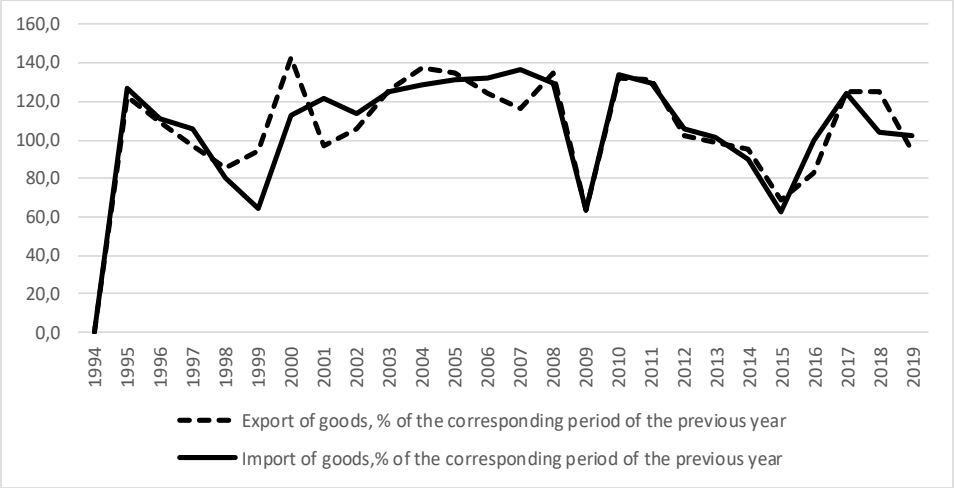


Figure 2[29]

Foreign trade of the Russian Federation by goods (according to the balance of payments methodology) (growth by years,%)

Russian imports in 2018 grew by 4.6% as compared with 2017 to 249.1 billion USD. In foreign countries the goods were purchased on the sum of 222.5 billion USD, which is 4.6% higher than the same indicator in 2017, the goods on the sum 26.5 billion USD arrived from the CIS countries to Russia, which exceeded the data of 2017 by 4.7%. In the total volume of imports the share of non-CIS countries remained at the level of last year - 89.3%.

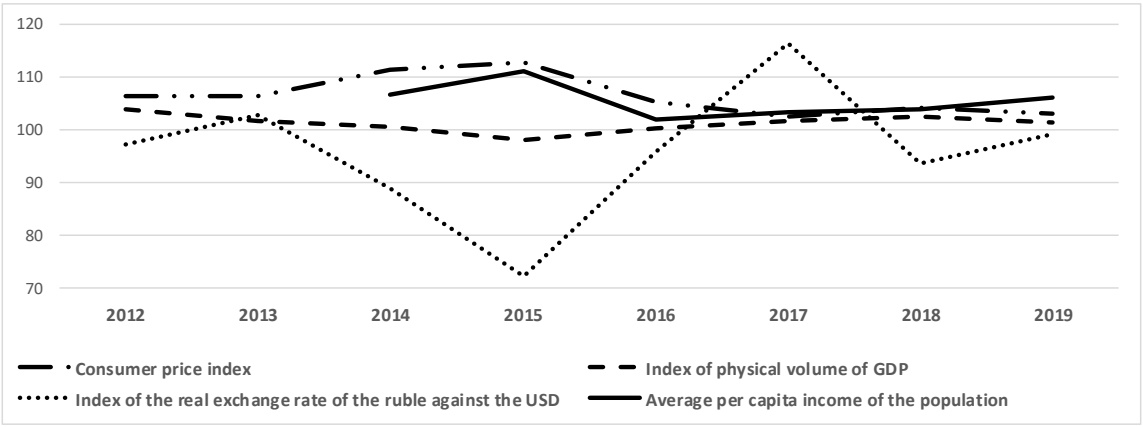


Figure 3[30]

Dynamics of consumer price indices, real exchange rate of the ruble against the USD, physical volume of GDP and average per capita income of the population

It is shown in Figure 3 a large drop in the ruble exchange rate in 2014-2015. It was triggered by the currency crisis in Russia, which occurred due to the fall in oil prices, as well

[29] Federal State Statistics Service. Retrieved from: https://www.gks.ru/

[30] Federal State Statistics Service. Retrieved from: https://www.gks.ru/

as sanctions against Russia. As a result, we are observing a fall in the index of physical volume of GDP, an increase in the consumer price index and cash incomes of the population, and the rise in prices is ahead of the growth in incomes.

The strengthening of the ruble in 2017 is due to an increase in oil prices, as well as due to the weakening of the dollar after the announcement of the US withdrawal from the Trans-Pacific Partnership. Also, during this period, there is a decrease in the consumer price index and financial income of the population, while the physical volume of GDP is increased. By 2019, despite of another fall of the ruble, household incomes began to grow faster than prices for consumer goods.

According to the analysis of the Ministry of Industry and Trade, the most expedient from the point of view of import substitution are machine tool manufacturing (the share of imports is more than 90%), heavy machine manufacturing (to 80%), light industry (to 90%), radio-electronic industry (to 90%), pharmaceutical and medical industries (to 80%)[31].

If we estimate the volume of imports in relation to GDP, it is obvious that from year to year this indicator does not change much, which also indirectly indicates that, in fact, no import substitution took place (Figure 4).

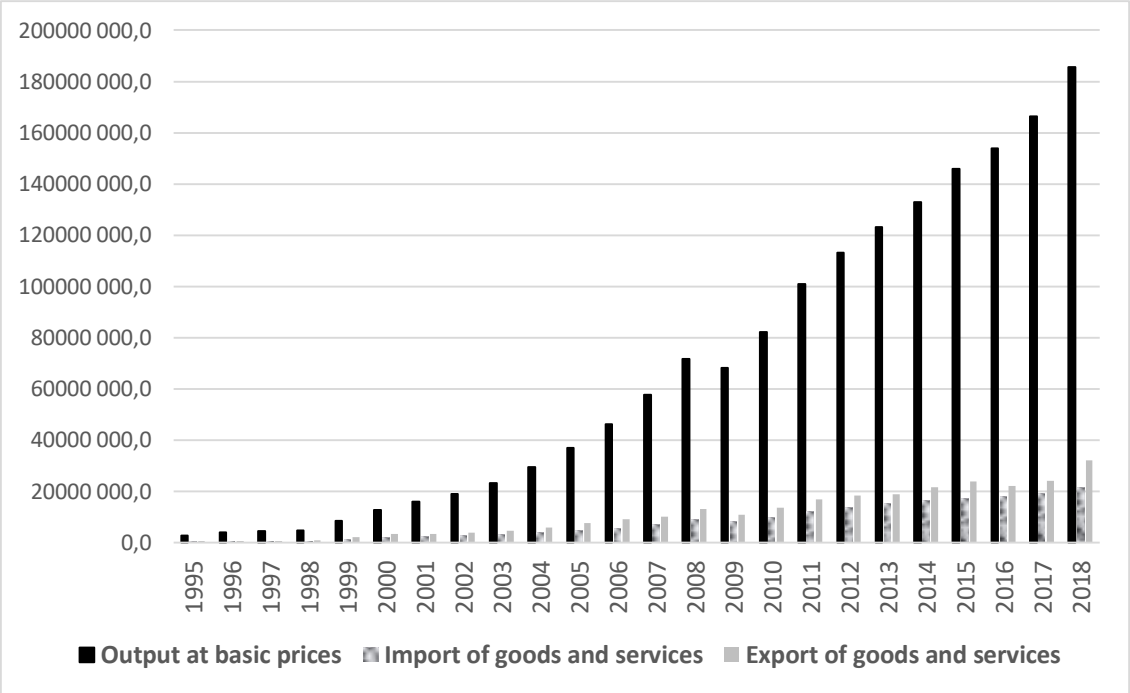


Figure 4[32]
Consolidated account (at current prices; million rubles)

We analyze below the import of the most important Russian goods.

[31] The share of imports in strategic industries has exceeded 80 percent. Russian Internet news publication Lenta.ru. Retrieved from: http://lenta.ru/news/2014/07/10/import/

[32] Federal State Statistics Service. Retrieved from: https://www.gks.ru/

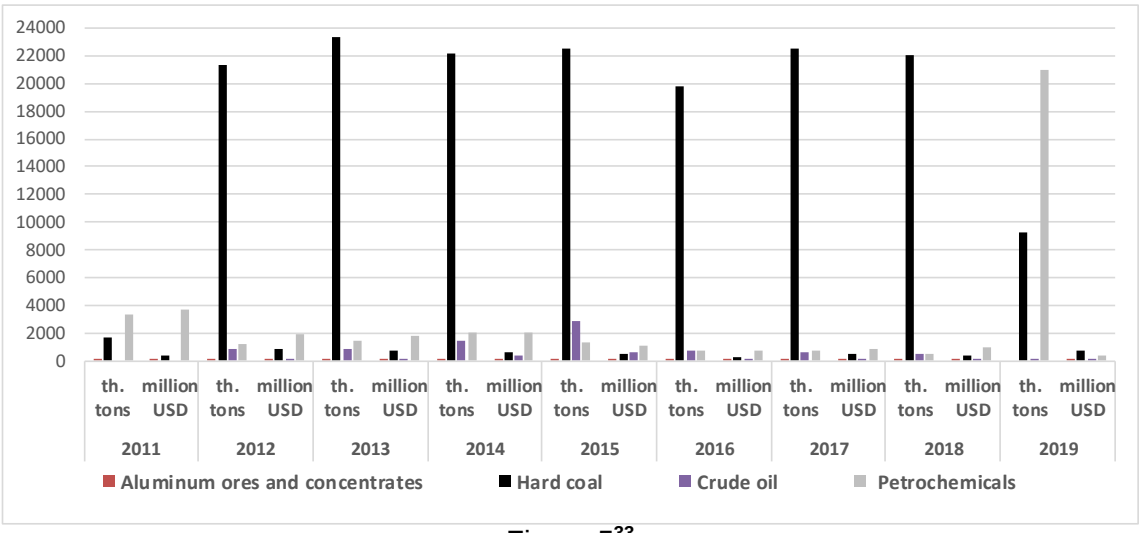


Figure 5[33]
Russian imports of the most important goods (comparison of weight and dollars)

In the commodity structure of imports, the largest share was still accounted for by machinery and equipment, which amounted to 47.3% in 2018 (in January-October 2017 - 48.6%). Purchases of machinery and equipment was increased in 2018 in comparison with 2017 by 2.1%, including electrical equipment - by 15.5%, instruments and optical devices - by 9.6%.

The value of metals and metal products was increased by 9.1% in comparison with 2017. The physical volumes of imports of ferrous metals and its products were increased by 5.7%, while the supply of pipes was decreased by 21.6%, and flat rolled products of iron and unalloyed steel - by 3.3%[34].

Coal imports fluctuate at the same level and remain high position. It is due to the fact that Russian power plants buy cheap Kazakh coal, and many power plants cannot operate on other coal due to technologies that were introduced back in the days of the USSR, and expensive modernization is needed to abandon Kazakh coal.

The value of the import of chemical products was increased by 8.2% in comparison with 2017, and the physical volume - by 1.0%. The physical volumes of supplies of soap and detergents were increased by 8.2%, rubber, rubber and products from it - by 6.5, plastics and products from it - by 3.0, organic chemistry products - by 0.2%.

Beginning with 2014[35] Russia imposed retaliatory restrictive measures against those countries that supported sanctions against Russia. The main measure under these counter-sanctions was the Russian food embargo: products from the countries that imposed sanctions were banned from import. In August 2014 Russia limited for a year the import of food products from the USA, EU countries, Canada, Australia and Norway.

[33] Federal State Statistics Service. Retrieved from: https://www.gks.ru/
[34] Import of Russia's most important goods. Federal Customs Service. Retrieved from: http://customs.ru/folder/515
[35] Resolution of the Government of the Russian Federation "About measures to implement the decrees of the President of the Russian Federation". August 7, 2014.

The embargo was extended until August 5, 2016[36], which should become a significant incentive for Russian agriculture and an incentive to implement import substitution.

Within the framework of counter-sanctions 2014 the ban on market access affected countries that supplied significant volumes of products to the Russian market, for all other countries that did not participate in the sanctions, tariffs remained at the same level. However, as a result it led to an increase in prices on the national market, since goods began to come to national market from more expensive manufacturers. As a result of counter-sanctions, at the Russian market it was appeared some products that earlier could hardly enter this market due to competition with cheaper products from European countries.

The growth of the share of domestic products in the national market cannot be the determining criterion for the success of import substitution, it is the opinion of some researchers. If a certain product has been successfully replaced by the Russian product, but its retail value has increased as a result of this replacement, the import substitution cannot be considered valid[37].

The picture of import substitution in 2005-2018 showed that the scale of import substitution was small-scale.

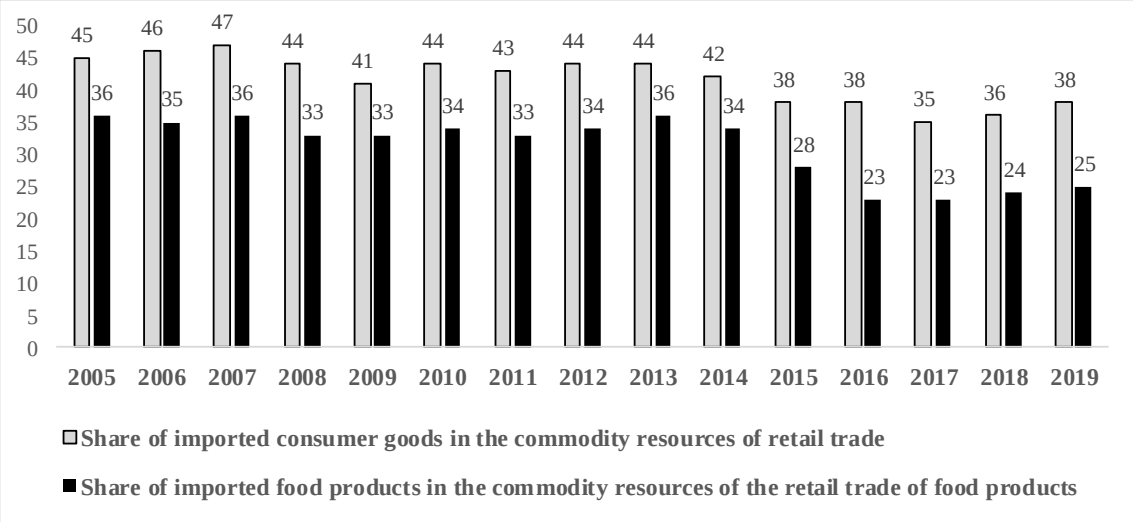


Figure 6[38]
The share of imports in the volume of commodity resources
of retail trade in the Russian Federation

Beginning from 2016 we can observe a small decrease in the share of imported consumer goods in the Russian market. Moreover, a significant decrease occurs in food products. It can be associated with both sanctions against the Russian Federation and retaliatory sanctions, namely, a ban on the import of certain groups of goods from Western countries.

[36] Russian counter-sanctions: products prohibited for import. Russian news publication RIA Novosti. Retrieved from: https://ria.ru/20150626/1089950453.html

[37] N. A. Volochkova y P. O. Kuznetsova, “How much counter sanctions cost: analysis of welfare”, Journal of a new economic theory Vol: 3 num 43 (2019): 173-183.

[38] Federal State Statistics Service. Retrieved from: https://www.gks.ru/

The Strategy for the development of the food and processing industry of the Russian Federation for the period to 2020[39] it is envisaged that food security will be achieved when the share of Russian production (including carry-over stocks) in the total consumption of sugar - 96.7%; vegetable oil - 84%; meat and meat products - 88.3% ; fish products - 82%; milk and dairy products - 85.3%.

It is analyzed below the share of imports of certain goods in their commodity resources (Table 5).

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Meat and poultry, including offal	43,8	38,2	33,7	30,0	30,3	26,2	19,6	13,4	11,0	10,4	7,9
Beef, including offal	61,7	61,8	64,5	59,5	59,9	59,0	57,3	48,1	40,0	40,9	40,7
Pork, including offal	56,5	41,6	46,8	42,8	41,3	31,0	16,6	12,5	9,6	9,6	2,2
Poultry, including offal	33,3	26,1	18,2	12,5	14,0	12,8	10,0	5,5	5,0	4,4	4,3
Canned meat	18,8	16,5	17,1	22,0	25,1	20,0	13,7	9,0	7,5	7,3	7,2
Sausage products	1,1	1,3	1,3	1,7	3,4	3,2	2,2	1,0	1,5	1,7	1,5
Animal oils	27,0	27,1	32,3	32,2	34,2	35,9	34,3	25,5	26,4	24,4	19,5
Cheeses	41,3	41,2	47,4	46,1	47,8	48,0	37,3	23,3	28,2	27,3	29,0
Flour	0,2	0,1	0,9	1,0	0,7	1,5	0,9	0,8	1,9	1,3	0,9
Groats	4,2	2,1	2,2	2,0	1,4	1,8	0,5	0,3	0,3	0,2	0,4
Seed oils	31,2	18,5	23,9	22,0	16,3	19,0	14,4	17,4	16,7	14,7	18,1
Powdered milk and cream	30,0	37,3	60,1	40,7	48,4	60,5	49,4	56,4	59,1	52,6	37,4
Confectionery	10,3	6,8	11,1	11,6	12,5	12,0	9,3	5,9	6,1	6,7	7,5
Sugar	2,7	4,8	5,4	3,7	5,3	8,2	7,4	6,2	5,5	3,9	5,1

Table 5

The share of imports of certain goods in its commodity resources (percentage)

The decrease in the share of imports occurred in the following categories of goods: cheeses; poultry, pork and beef. However, it is interesting that the drop in the share of imports of meat began in 2009, therefore, the drop in imports is associated not only with sanctions, but also with the fact that the Russian government took measures to develop the farming industry: the tax burden was simplified, various incentives were adopted and subsidies, as well as profitable lending for small farms. But the drop in the share of cheese imports is associated with retaliatory sanctions against Western countries, namely, a ban was introduced on the supply of products to the thirteen largest importers of Dutch cheese.

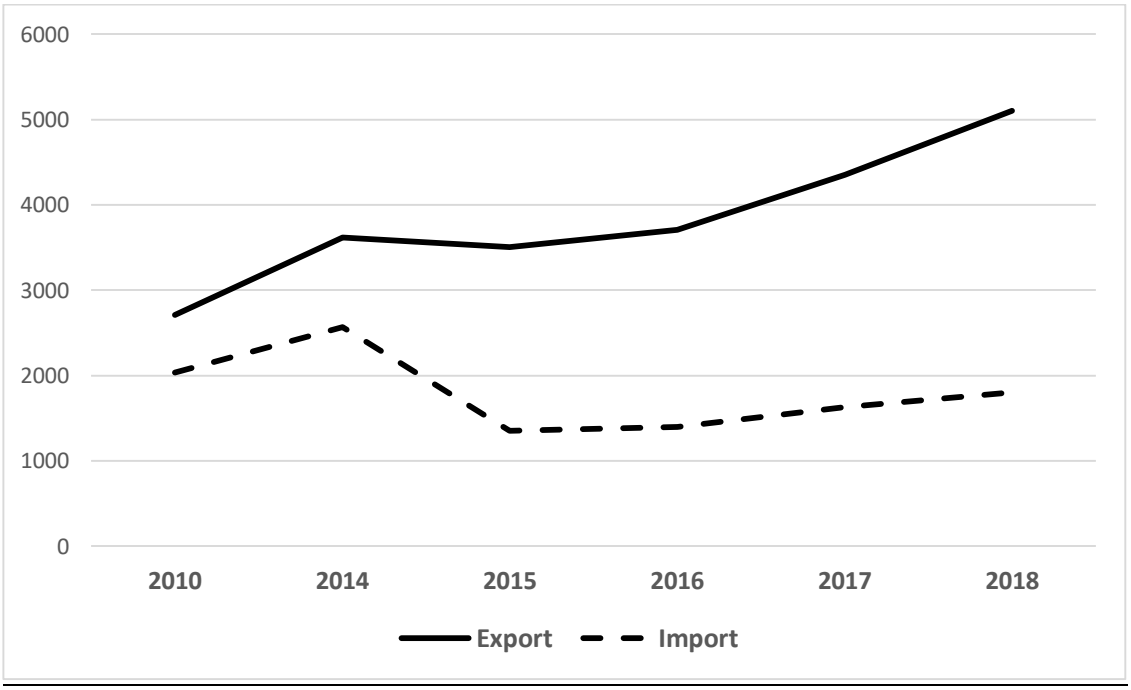
[39] The strategy for the development of the food and processing industry of the Russian Federation for the period up to 2020, Approved by order of the Government of the Russian Federation # 559-r. April 17, 2012.

Import of citrus fruits, tea, coffee is still at a high level, because due to climatic conditions, it is impossible to completely satisfy the demand for this type of goods. And a decrease in imports of grain crops, barley, corn can be called import substitution, since the sown area increases every year, and with it the yield.

Imports, in value terms, of drinks, starting from 2014 began to fall, although in 2017 imports began to gain momentum, but so far it has not reached the level of 2013. The gap between the specific gravity and the price is explained by the fact that Russia imports expensive mineral water in glass, as well as elite alcoholic beverages, for which import and customs clearance is subject to special regulation and belongs to the group of so-called excisable goods.

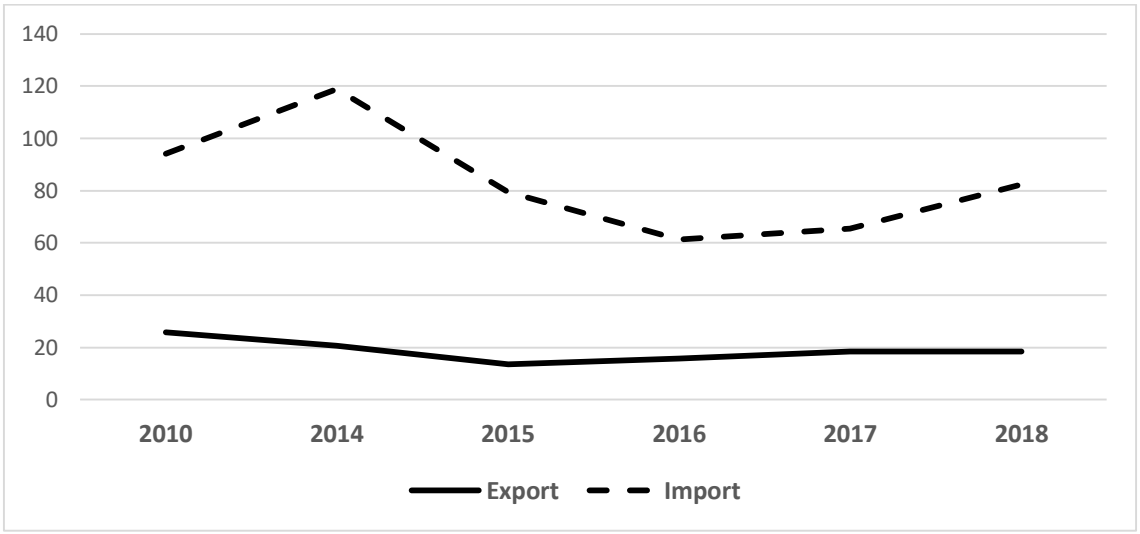
Raw sugar suffered a significant drop in imports in 2012, it is due to an increase in domestic sugar production in Russia, as well as the yield of sugar beets.

The fishing industry in Russia is one of the traditional industries, it is developing dynamically, despite a number of significant problems. The fishing industry has a significant impact on the country's economy, being a source of food. According to the Federal state statistics service, in 2015 there were 8.5 thousand organizations in Russia by the type of economic activity "Fishing, fish farming", which is 3.2 thousand more than in 2003. The balanced financial result of these organizations in 2015 amounted to 62,740 million rubles[40]. With all the well-being, consider how things are with exports and imports for certain types of products in the field of fishing.

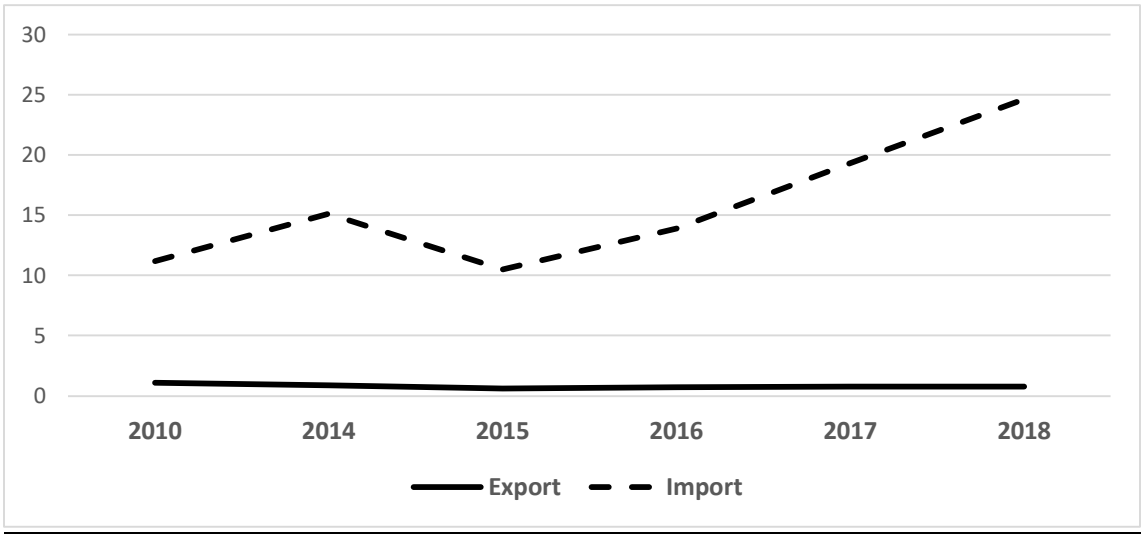


(a) - Fish and crustaceans, mollusks and other aquatic invertebrates, million USD

[40] Rossiia v tsifrakh – 2016: kratkii statisticheskii sbornik (Moscow: Rosstat Publ, 2016)



(b) - Ready or canned fish; sturgeon caviar and substitutes, thousand tons



(c) - Ready or preserved crustaceans, mollusks and other aquatic invertebrates, thousand tons

Figure 7[41]

Export and import of Russia by certain types of products in the fishing sphere

If we look at Figure 7.a (exports and imports of fish and crustaceans, mollusks and other aquatic invertebrates), we notice that exports are growing steadily, in 2014 there were minor changes, but overall, everything is going well. At the same time, imports suffered a decrease due to sanctions from Europe, as well as retaliatory sanctions from the Russian government[42]. Norway was one of the major suppliers of trout and salmon, but after all the sanctions, its market was no longer available. But in 2015, we can see that imports also began to grow a little, one of the growth factors is that Norwegian steel is imported to Russia

[41] Federal State Statistics Service. Retrieved from: https://www.gks.ru/

[42] Resolution of the Government of the Russian Federation No. 778 "About measures to implement the decrees of the President of the Russian Federation". August 7, 2014.

through the Republic of Belarus. And it seems that everything is fine with this industry in Russia and we are not afraid of any sanctions, but if you look at the schedules for the export and import of finished products and canned food, then the situation is reversed, namely, import is several times higher than export (Figure 7.b, 7.c). It is due to the fact that in Russia a huge amount of fish is caught and exported, and in order to process this fish the country does not have enough capacity. As a result, Russia buys its own fish, but already processed in the form of canned food and other products. And looking at Figure 7.a, we can say about confident import substitution in the field of fisheries, but taking into account Figures 7.b and 7.c, these conclusions remain questionable.

We analyzed the quality of the export and import basket (from 2013 to 2017): the revealed comparative advantages for the main commodity groups (RCA), the index of product complexity (PCI).

According to Table 6, the first thing that can be immediately noticed is that the product complexity index (PCI) is mostly negative. It can be concluded that Russia exports goods that do not require special technologies. The revealed comparative advantages for the main commodity groups (RCA) are high, but in most cases this does not coincide with the share of exports. The share of exports for the main commodities is growing insignificantly. After the 2014 sanctions, a slight increase was observed in the export of coal briquettes, diamonds, and sawn timber. But at the same time, almost all goods (except for crude oil, refined oil, wheat, refined oil, lumber) since 2013 have reduced the product complexity index (PCI).

Export	**2013**			**2014**		
	RCA	PCI	Export share (%)	RCA	PCI	Export share (%)
Raw oil	3,46	-2,546	35	4,43	-1,8661	35
Refined oil	3,19	-1,186	17	4	-0,945	20
Petroleum gas	2,1	-2,17	14	1,98	-2,043	8
Coal briquettes	3,39	-1,322	3	4,46	-1,4591	2
Untreated Aluminum	4,77	-1,04	1	5,76	-0,948	2
Semi-finished Pig-Iron	7,54	-0,247	1	8,66	-0,071	2
Diamonds	2,89	-0,399	1	4,31	-1,021	1
Wheat	2,67	-0,39	1	5,67	-0,39	2
Refined copper	0,9	-1,046	0	0,79	-1,296	0

Lumber	1,024	-1,129	1	1	-1,038	1

2015			**2016**			**2017**		
RCA	PCI	Export share (%)	RCA	PCI	Export share (%)	RCA	PCI	Export share (%)
6,021	-1,584	28	6,96	-1,084	28	5,82	-2,443	28
5,085	-0,846	18	5,3	-0,952	16	4,87	-0,889	17
2,59	-1,551	8	2,69	-2,146	6	2,37	-2,311	6
6,56	-1,630	3	7,16	-1,712	4	8,036	-1,546	5
7,044	-0,696	2	7,64	-1,027	2	6,5	-1,125	2
11,6	-0,224	2	13,2	-0,55	2	11,6	-0,95	2
1,45	-1,07	1,30	3,82	-1,911	2	4,46	-1,214	2
3,89	-0,161	1	7,6	0,037	2	11,2	-0,132	2
1,56	-1,228	1	1,63	-1,369	1	1,57	-1,01	1
1,39	-1,088	1	1,62	-1,153	1	1,79	-0,762	1,20

Table 6
Assessment of the main product groups of the Russian export basket

In imports, we observe the opposite picture (Table 7). The main import positions of Russia are goods with a high level of the product complexity index (PCI). Revealed comparative advantages for major product groups (RCA) are high. The share of imports for major goods does not change evenly. It indicates that at the moment Russia cannot become independent from imports, since imported goods are technologically complex. It will take time to start the national producing of these goods.

Import	**2013**			**2014**		
	RCA	PCI	Import share (%)	RCA	PCI	Import share (%)
Automobiles	1,95	0,762	6,30	1,58	0,607	5,3
Broadcast equipment	0,71	0,322	1,40	0,67	0,473	1,5

Packaged medicines		2,94	0,891	3,60		2,78	0,816	3,4
Auto parts		1,94	1,347	3,40		1,72	1,32	3,2
Computers		0,78	0,786	1,90		0,79	0,82	1,9
Office machines		3,34	0,855	0,67		0,47	0,923	0,34
Rubber tires		1,74	0,422	0,88		1,73	0,324	0,79
Medical equipment		2,17	0,882	0,73		1,89	0,867	0,72
Airplanes, Helicopters and /or spacecraft		3,025	0,013	1,40		4,77	0,022	2,5
2015			**2016**			**2017**		
RCA	PCI	Import share (%)	RCA	PCI	Import share (%)	RCA	PCI	Import share (%)
1,15	0,806	4,2	1,011	0,937	4,0	0,86	0,833	3,5
0,57	0,451	1,6	0,7	0,557	2,1	1,15	0,295	3,2
2,54	0,715	3,8	2,52	0,865	3,9	2,68	0,822	3,7
1,39	1,095	2,7	1,49	1,044	3,1	1,66	1,087	3,4
0,91	0,771	2,2	0,94	0,918	2,2	0,88	0,681	1,6
0,71	0,698	0,7	0,71	0,92	1,1	0,75	0,814	1,4
1,94	0,163	0,73	2,11	0,254	0,74	1,99	0,184	0,78
1,65	0,926	0,78	1,67	0,784	0,83	2	0,847	0,76
1,91	0,158	1,9	0,73	1,011	0,95	2,07	0,555	2,9

Table 7
Assessment of the main product groups of the Russian import basket

Conclusion

Thus, we determined that there is a high level of dependence of the Russian economy on international trade. But in the period 2008-2018 imports and exports do not affect the size of the physical volume of GDP. It gives the basis to assume about serious problems of the strategy of development of export and import policy, about problems of the quality of export and import baskets.

It was revealed during a comprehensive assessment of the competitiveness of the regions of the Russian Federation that most of the regions fall into the group of depressed and undeveloped regions. Consequently, we can talk about the negative development of the Russian economy, about the presence of a number of threats to economic security.

The problems, which are typical for Russian industry in the late 1990s and 2000s, remain unresolved. Consequently, we can see that by the time of the introduction of economic sanctions against Russia, this country came not quite prepared for a quick maneuver.

The Central Federal District remains the main exporter and also the main consumer. It is due to the concentration of large industries in one district, as well as to the demographic situation in this district. One of the major importers is the Northwestern Federal District.

The assessment of the volume of imports suggests that, in fact, no import substitution took place. The picture of import substitution in 2005-2018 showed that the scale of import substitution was small. Since 2016 we can observe a slight decrease in the share of imported consumer goods in the Russian market. It can be associated with both sanctions against the Russian Federation and retaliatory sanctions, namely, a ban on the import of certain groups of goods from Western countries.

The revealed comparative advantages for the main product groups (RCA) are high, but in most cases it does not coincide with the share of exports. The share of exports for the main goods is growing slightly. Almost all commodities (except for crude oil, refined oil, wheat, refined oil, sawn timber) have decreased the product complexity index (PCI) since 2013. In imports, we can see the opposite picture. The main import positions of Russia are goods with a high product complexity index (PCI). Revealed comparative advantages for major product groups (RCA) are high. The share of imports for major goods does not change evenly. It indicates that at the moment Russia cannot become independent of imports, since the imported goods are technologically complex.

Therefore, nowadays the Russian economy faces with large-scale tasks of ensuring stable and sustainable economic growth. It should be based on high-quality modernization, structural, technical and technological improvement of the production potential of the country.

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