

## Impact of Economic Sanctions on the Volume and Structure of Russia's Foreign Trade Turnover

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### Abstract

*The goal is to present a comparative analysis of statistical data on the indicators of the foreign trade turnover of the Russian Federation under the conditions of economic sanctions and anti-sanctions, as well as the results of expert assessments on the current import substitution policy.*

*Design/methodology/approach – methods for comparing and grouping indicators that allow comprehensively and dynamically considering the state of Russia's foreign trade turnover, taking into account changes in the country and commodity aspects in the volume of exports and imports in the context of economic sanctions and a counter food embargo.*

*Conclusions – the paper proves that the decline rate in foreign trade turnover in relation to the pre-sanctioned 2013 has slowed down, which indicates the relative adaptation of the Russian economy and the effectiveness of the anti-crisis measures taken. The main recommendations have been formulated that require the concentration of protective adaptation measures on the instruments of selective protectionism with free trade measures.*

*Originality/significance – the paper provides a comprehensive analysis of the impact of economic sanctions on the volume and structure of Russia's foreign trade in the context of growing pressure on foreign trade in a gradual increase in sanctions, and this trend should be timely detected.*

**Key-words:** Foreign Trade Policy, Foreign Trade Turnover, Import Substitution, Protectionism, Economic Sanctions, Free Trade.

## **1. Introduction**

A sanction is, first of all, an element of a legal norm. According to the official documents of the United Nations, only measures taken by the UN Security Council on the basis of Section 7 of the UN Charter are called sanctions. Among the types of international legal sanctions are economic and military coercive measures.

Basically, foreign scientists are engaged in studies of the impact of sanctions on the state with an assessment of their effectiveness. In Russia, this topic became more relevant after the introduction of Western sanctions. The effectiveness of sanctions is understood as a change in the state policy on which the sanctions were imposed; if the government policy does not change, the sanctions are considered ineffective. In 1985, the foreign researchers Hufbauer, Schott and Elliott evaluated the effectiveness of sanctions depending on the goal pursued; on average, the effectiveness ratio of the applied sanctions was estimated at 34%. This study was criticized in 1997 by Robert Pape, who re-analyzed the sanctions and found only 5 out of 40 successful (Pape, 1997).

Thus, analyzing the effectiveness of sanctions, researchers increasingly came to the conclusion that over time, the effectiveness of sanctions, including economic ones, decreased. The modern world economy in its development cannot allow complete isolation of the state from the surrounding world. With the increased possibilities of providing alternative sales markets, the state under the pressure of sanctions only increases foreign economic costs.

As known, according to the theories of absolute and comparative advantage, any country receives economic benefits from participation in the international division of labor. Specializing in goods with absolute and relative costs and selling them abroad allows saving on goods that are more profitable to buy abroad than to produce domestically.

The effect of absolute and comparative advantages is most fully manifested in conditions of free trade. The market model of perfect competition in the absence of tariff and non-tariff barriers to protectionism clearly reveals the competitive advantages and disadvantages of each country.

However, due to numerous reasons, there is no policy of pure free trade and an absolutely open economy in any country. The need to support domestic producers in a crisis or emerging young

industries, the danger of losing economic security, the need to replenish the budget through customs duties – all these and much more make the governments of modern states use a combination of reasonable protectionism (often selective) with the tools of free trade in their foreign trade policy.

The economic sanctions applied to Russia since 2014 are increasing the manifestation of protectionism both in relation to Russia itself and in terms of its retaliatory measures against foreign trade partners. However, these sanctions cannot be equated with the classic instruments of protectionism. Rather, we can talk about neo protectionism, since economic sanctions (although they are not traditional non-tariff barriers are aimed at strengthening protective measures against free trade.

Notably at present, various authors consider the impact of sanctions from different points of view and on various sectors of the economy. Thus, leading economic journals touched upon the problems of the expediency of privatizing large companies in the context of sanctions (Radygin *et al.*, 2018), and upon risks for sustainable economic growth in Russia (Ershov, 2017) and for food export (Goncharov, 2018). Certain authors pay special attention to the relationship between sanctions and foreign trade, their impact on exports and imports separately, and conclude that the impact of sanctions and anti-sanctions on foreign trade is negative (Shirokova,2019).

At the same time, in the new conditions of a counter food embargo, Russia does not lock itself in an autarkic model but tries to build new vectors of mutually beneficial foreign trade cooperation aimed at compensating for losses from sanctions pressure. Time will show how effective the new foreign trade policy is, but the first conclusions can already be drawn on the basis of certain economic indicators.

The present study aims to substantiate the need for further development of adaptation measures and for simultaneous liberalization of import tariffs in markets with limited competition, based on the statistical analysis of the foreign trade turnover indicators of the Russian Federation for 2013-2018 in the context of economic sanctions and anti-sanctions.

To achieve this goal, the following tasks are solved:

- To identify the state of the dynamics of development and structure of Russian foreign trade in conditions of economic sanctions and anti-sanctions;
- To assess the effectiveness of sanctions and anti-sanctions in the new conditions on foreign trade;
- To formulate approaches to further development of adaptation measures, taking into account the instruments of selective protectionism and the simultaneous liberalization of import tariffs in markets with limited competition.

Economic sanctions designed to reduce Russia's influence in the economic and political spheres have their negative impact on the dynamics and structure of Russian foreign trade. However, one should not forget about their positive effect – the sanctions and counter-sanctions measures led to the development of a coherent import substitution policy, which allows stating that the impact of sanctions on foreign trade is weak.

## **2. Materials and Methods**

The level of the country's involvement in the international division of labor shows (among other indicators) foreign trade turnover which is the sum of export and import transactions.

In the context of economic sanctions, studying the volume and structure of Russia's foreign trade turnover both in the country and in the commodity aspect is of analytical interest. 2013, the last year before the sanctions, was taken as the comparison base. The first and second sections of the present study are devoted to these issues.

2.1. The first section analyzes the dynamics of foreign trade turnover for the studied period of 2013-2018.

Currently, according to the Ministry of Economic Development of the Russian Federation, more than 190 tariff and non-tariff restrictions apply to Russian goods. Thus, in 2019 alone, 43 trade policy measures were identified, and 13 restrictive measures imposed on Russian goods were eliminated, amounting to over 470 million USD (Foreign economic activity, 2020).

The research results presented in this section are based on the analysis of statistical data on the indicators of foreign trade activities of the Russian Federation (the Federal Service state statistics and the Federal Customs Service of Russia) (Russia: Foreign trade statistics, 2020; Socio-economic situation in Russia, 2020; Trade in Russia, 2019). The grouping of the analyzed indicators and the calculations allowed clearly showing the dynamics of foreign trade turnover, its exports and imports during 2013-2018 as a percentage of 2013.

The method of economic and statistical analysis used in this case allowed concluding that the consequences of sanctions on Russia's foreign trade are not overcome.

2.2. The second section of the study reveals the changes in the commodity and country structure of foreign trade turnover based on the analysis of statistical data on the indicators of foreign trade activities of the Russian Federation (the Federal State Statistics Service and the Federal Customs Service of Russia).

The analysis of statistical data on the indicators of the structure of Russia's export in terms of commodity and country shows no significant changes in the structure of exports, and the raw material nature of Russian exports is preserved.

Similarly, this section analyzes changes in the structure of Russian imports.

Analysis of the commodity structure of exports and imports allows assessing the impact of sanctions on certain groups of goods. As for the country aspect, there were no significant changes in the structure of exports and imports, which indicates that the international specialization of countries is a fairly stable phenomenon, and it is difficult to find full-fledged substitutes for products from other countries.

2.3. The third section evaluates the effectiveness of sanctions and anti-sanctions in the new conditions on foreign trade, and formulates approaches to further development of adaptation measures.

The results of the assessment are based on the statistical analysis of the foreign trade activity indicators of the Russian Federation (the Federal State Statistics Service and the Federal Customs Service of Russia) and on the basis of expert assessments on import substitution policy (Shirokova, 2019; Forecast of socio-economic development of the Russian Federation for the period up to 2024; Puzina, 2020; Kuznetsova and Tsedilin, 2019).

The topic of the effectiveness of sanctions and anti-sanctions is not efficiently developed by domestic scientists; however, the authors agree in their assessment, noting their low efficiency (Shirokova, 2019; p.93). The value volumes of exports and imports changed, but exports in ruble terms continue to grow positively, and the decline in imports is less and less noticeable. The main commodity groups reduced their share in the total import/export volume; however, there are no fundamental changes since 2013. The imposition of sanctions, of course, limits the range of some opportunities for the development of foreign trade yet helps establish links with new partners and revises the internal structure of the economy.

The leading anti-sanction strategy in Russia is import substitution, that is, the development of own production of those resources the access to which is denied to the country. The choice of such strategy is understandable, since if it is impossible to acquire these resources on the world market, it is necessary to find their alternative source. For example, for certain types of resources, Russia itself stimulates import substitution by introducing a ban on their supplies from abroad – the so-called food embargo.

Economists admit that the main sectors of import substitution were chosen correctly: agriculture and heavy industry with radio electronics, without which the military-industrial complex is not able to function.

Based on the official documents posted on the portal of the State Information System of the Government, created by the Ministry of Industry and Trade of Russia (Nazarov, 2019), the average level of actual import dependence for each industry was calculated. The analysis of the current and planned indicators of import substitution shows that, despite the declared importance of import substitution, preference is often given to purchases from foreign suppliers instead of placing orders from domestic producers.

Designing approaches to further development of adaptation measures, it is necessary to consider the implementation of the import substitution program wisely. Given the long-term adaptive response of the large-scale and diversified economy of Russia to sanctions and anti-sanctions, it is necessary to fine-tune selective protectionist measures with free trade measures.

### 3. Results

3.1. The dynamics of foreign trade turnover for the studied period of 2013-2018 is presented by the results of indicators analysis of foreign trade turnover in general and of exports and imports.

Table 1 - Dynamics of Foreign Trade Turnover for 2013-2018 (in % by 2013), Billion USD%

Indicators	2013	2014	2015	2016	2017	2018
Export	526/100	497.4/94.6	343.5/65.3	280.7/53.4	357.8/68.0	449.8/85.5
Import	315.3/100	287.1/91.1	182.9/58.0	179.8/57.0	227.5/72.2	238.4/75.6
Foreign trade turnover	841.3/100	784.4/93.2	526.4/62.6	460.5/54.7	585.3/69.6	688.2/81.8

Source: compiled by the authors

Calculations based on the analyzed indicators show that back in 2014 compared to 2013, the foreign trade turnover decreased slightly (due to the fact that sanctions were not applied from the beginning of the year and their scale was small) – by 6.8%; including export by 5.4% and import by 8.9%.

However, in 2015, the overall drop in foreign trade turnover already amounted to 38.4%, including 34.7% for exports and 42% for imports.

In 2016, the trend continued and the decline deepened: by 46.3% in terms of foreign trade turnover, including for exports by 46.4% and for imports by 43%.

Since 2017, the decline slowed down, and although foreign trade indicators reached 2013 neither in 2017 nor in 2018, the rate of decline became noticeably lower. Thus, in 2017 compared to 2013, foreign trade turnover decreased by 30.4%, including for exports by 32% and for imports by 27.8%. In 2018, the lag from 2013 is no longer so significant: foreign trade turnover decreased by 29.2%, including exports by 15.5% and imports by 24.4%.

In 2019, the 2013 indicators were not achieved either. Russia's trade turnover in 2019 amounted to 663.2 billion USD, of which 420.4 billion USD in exports and 242.8 billion in imports), having decreased by 3.6% compared to the same period last year (Macroeconomic and sectoral review of the Russian market, 2020).

In 2020, Russia's foreign trade turnover continues to decline. Thus, for January-August 2020, it amounted to 81.8% of the corresponding period of 2019 (Socio-economic situation in Russia, January-September 2020).

3.2 Structural indicators did not undergo such significant changes as cost indicators. Therefore, the dynamics of the indicators of the structure of exports and imports of Russia in the commodity and country context is analyzed in comparison with 2013 (before the sanctions), 2015 (conscious adjustment of foreign trade policy to sanctions) and 2018 (the latest full official annual data).

Table 2 - Dynamics of the Structure of Russian Exports in Commodity and Country Breakdown for 2013-2018 (in % to the Total) Indicating the Main Supplying Countries in Descending Order

Commodity group	2013	2015	2018	Deviation (+,-), 2018 to 2013
Mineral products	58.9 (The Netherlands, China, Italy)	51.6 (The Netherlands, China, Italy)	54.0 (China, the Netherlands, Germany)	-4.9
Hidden section	15.4 (Germany, Turkey, Italy)	16.4 (Germany, Turkey, Italy)	14.1 (Germany, Turkey, Italy)	-1.3
Metals and metal products	7.8 (The Netherlands, Turkey, USA)	9.6 (The Netherlands, Turkey, USA)	9.8 (Turkey, the Netherlands, USA)	+2.0
Chemical industry products	4.1 (Ukraine, Brazil, China)	5.2 (Ukraine, Brazil, China)	4.3 (Brazil, Finland, Belarus)	+0.2
Machinery and equipment	2.6 (Germany, Kazakhstan, China)	3.5 (Germany, China, Kazakhstan)	3.1 (Belarus, Kazakhstan, India)	+0.5
Jewelry	2.7 (Belgium, Switzerland, India)	2.3 (Belgium, Switzerland, India)	2.2 (Belgium, USA, India)	-0.0%
Wood and wood products	1.4 (China, Uzbekistan, Finland)	1.8 (China, Egypt, Finland)	2.0 (China, Finland Uzbekistan)	+0.6
Plastics and rubber	1.2 (Kazakhstan, Belarus, Ukraine)	1.4 (Belarus, Kazakhstan, Ukraine)	1.4 (Belarus, Kazakhstan, China)	+0.2
Vegetable products	1.1 (Turkey, Egypt, Iran)	2.0 (Turkey, Egypt, Saudi Arabia)	2.7 (Egypt, Turkey, Iran)	+1.6
Food, drinks, tobacco	0.9 (Kazakhstan, Belarus, Ukraine)	1.2 (Kazakhstan, Belarus, Ukraine)	Animal products 1.1 (China, South Korea, the Netherlands)	+0.2
Other	3.9	4.9	5.2	+1.3
Total	100	100	100	-

Source: compiled by the authors

The analysis results indicate the greatest changes in the leading article of Russian export – mineral products. Among them the main share is occupied by oil and oil products (98%) and ores, slag and ash (1%). During the study period, their share in the total volume of exports decreased by 4.9 % – from 58.9% to 54%; all the other significant product groups remained at the same level.

Analysis of the structure of imports of goods shows that, against the background of a general reduction in imports, the greatest changes occurred in chemical industry products (an increase by 1.8 %), in machinery and equipment (an increase by 1.6%), and transport (a decrease by 3.4%).

Table 3 - Dynamics of the Structure of Russian Imports in Commodity and Country Breakdown for 2013-2018 (in % to the Total) Indicating the main Supplying Countries in Descending Order

Commodity group	2013	2015	2018	Deviation (+,-), 2018 to 2013
Machinery and equipment	29.3 (China, Germany, Italy)	30.2 (China, Germany, Italy)	30.9 (China, Germany, Italy)	+1.6
Transport	14.2 (Germany, Japan, USA)	9.3 (Japan, Germany, China)	10.8 (Japan, Germany, China)	-3.4
Chemical industry products	10.7 (Germany, France, China)	12.9 (Germany, France, China)	12.5 (Germany, China, France)	+1.8
Metals and metal products	6.9 (China, Ukraine, Germany)	6.4 (China, Germany, Ukraine)	7.2 (China, Ukraine, Germany)	+0.3
Plastics and rubber	5.1 (China, Germany, Belarus)	5.7 (Germany, China, Belarus)	5.7 (China, Germany, Belarus)	+0.6
Vegetable products	4.4 (Turkey, Equador, China)	5.5 (Turkey, Equador, China)	4.7 (Equador, China, Turkey)	+0.3
Food, drinks, tobacco	4.3 (Germany, Italy, France)	4.8 (Germany, Belarus, Brazil)	4.4 (Germany, Belarus, Italy)	+0.1
Textiles	4.2 (China, Turkey, Belarus)	4.5 (China, Turkey, Bangladesh)	4.7 (China, Bangladesh, Belarus)	+0.5
Animal products	4.6 (Belarus, Brazil, Paraguay)	3.8 (Belarus, Brazil, Chile)	-	-
Hidden section	2.3 (USA, France, Germany)	-	3.0 (USA, France, Germany)	+0.7
Machinery, equipment, clockwork	-	3.0 (Germany, USA, China)	3.0 (China, Germany, USA)	-
Other	14.0	14.0	13.2	-0.8
Total	100	100	100	-

Source: compiled by the authors

At the same time the study shows that sanctions lead to a country deformation of the import structure often to the detriment of the economic benefits of both parties. Thus, in the transport group, USA left the leading suppliers yet Japan appeared; Belarus became a major supplier in the food products group at the expense of France.

3.3. When analyzing the current and planned indicators of import substitution, indicators of a decrease in the share of imported goods in the market are used – the planned ones and those achieved by 2018 (Shirokova, 2019, p.92).

Table 4 - Import Substitution Indicators by Industry (%)

Industry	Plan, imported goods	For 2018, imported goods
Mechanical engineering	7.6	97.4
Light industry	44	78.3
Wood industry	49	87
Oil and gas engineering	55	71
Medicine	33	73
Machine tool manufacturing industry	75.25	93

Analysis of import substitution indicators clearly shows a large gap between the current and the planned indicators.

The **conclusion** summarizes the results of the study of development dynamics and structure of Russian foreign trade in the conditions of economic sanctions and anti-sanctions and determines the assessment value for sanctions influencing foreign trade in the new conditions of anti-sanctions. The implications of the results obtained for further development of adaptation measures are formulated with the aim of adjusting them taking into account the instruments of selective protectionism and the simultaneous liberalization of import tariffs in markets with limited competition.

The leading general scientific method is economic and statistical analysis, as well as methods for comparing and grouping indicators. General logical methods are applied, such as synthesis, induction, deduction, and analogy, as well as the analysis of documents and scientific literature on the research problem.

#### 4. Discussion

The analysis of foreign trade turnover dynamics for the studied period (2013-2018) does not reveal optimistic results. In addition, one should take into account the influence of foreign trade

turnover through the multiplier effect on the volume and dynamics of GNP, and through it, on many other indicators (the level of employment, inflation, personal income, etc.) (Baginova, 2020, p. 663).

Experts also unequivocally point at the significant impact of sanctions and the limitation of cooperation on the part of the USA and a number of European states on the international trade and economic relations of Russia with foreign partners, especially in the first years of sanctions. These circumstances immediately affected the dynamics of trade turnover, manifesting themselves in a noticeable decrease, a low level of export and import volumes (Zhabinskaya and Martynenko, 2020). The situation is significantly complicated not only by the already introduced sanctions but also by potential ones.

At the same time, as experts of Coface (an international company in the field of insurance against risks in trade and foreign economic activity) note, thanks to the efforts of the authorities, the rate of diversification of the Russian market grew significantly in recent years, and this has a positive effect on foreign trade turnover (Through sanctions to the stars, 2019).

According to the researches, the significant factors of the stagnation in promoting the euro in international circulation are decreased imports of goods and services, and insufficient scale of European integration associated with sanctions and with restrictions on cooperation with Russia.

An assessment of the impact of sanctions on Russia's foreign trade cannot be carried out without analyzing the structure of exports and imports of goods both in the commodity and in the country context. The analysis of the export structure for 2013-2018 shows a significant decline in all the exports in the leading article – mineral products. If this reduction occurred with growing export volumes, one could argue about the reorientation of Russian exports towards such desirable high-tech goods. Yet this change is taking place during a decrease in exports and an increase in the share of metals and metal products in the export structure by 2 % (including 52.1% ferrous metals) (Macroeconomic and sectoral review of the Russian market, 2020). As for the country aspect, there were no significant changes in the structure of exports: there was an increase in the supply of mineral products to Germany, with a decrease to Italy, an increase in the supply of metals to Turkey with a decrease to the Netherlands, and an increase in the supply of chemical products to Finland with a decrease to China.

Thus, the raw material nature of Russian exports is preserved with a tendency towards an increase in primary processing products – ferrous metals.

At the same time the researchers point out that today in Russia, a diverse system of stimulating and supporting exports is introduced. The main structure of export support is the Russian Export Center, JSC, whose main task is financial, consulting and organizational support of companies

engaged in the export of services and of non-primary non-energy products. For 2019, 11,341 exporters received financial and non-financial support from the Russian Export Center. In 2017, the project ‘Systemic measures for the development of international cooperation and exports’ was organized in Russia and is being successfully implemented, aiming at developing the country's export potential (Puzina, 2020, p.7).

Currently, the Russian Federation, being under sanctions imposed by the USA and the EU, responded to these measures by introducing an import substitution policy.

Decree of the President of the Russian Federation No. 560 of August 6, 2014 ‘On the Application of Certain Special Economic Measures to Ensure the Security of the Russian Federation’ introduces a ban or restriction on the import of certain types of raw materials, foods and agricultural products from the countries that introduced economic sanctions against Russian legal entities and individuals, or supported such decision.

Thus, in 2014, a Russian food embargo arose, directed towards the supply of various types of meat, vegetables and fruits, wine, semi-finished products, fish, cheese, and milk from the countries of the European Union, Norway, America, Canada, Australia and others. The share of these products at that time accounted for 9.5% of consumption and 22.5% of imports of food products (Kamyshanchenko, 2016, p.119).

According to experts, the policy of import substitution led to an overall reduction in imports. At the same time, experts note that due to the policy of import substitution in the country, more comfortable conditions are created for the development of domestic producers (Shirokova, 2019, p. 92).

In a number of categories, Russia indeed achieved import substitution. Russia produces 99% of the grain it needs, 93% of meat and meat products, 95% of sugar, and 84% of milk according to Rosstat data for 2018 (Trade in Russia, 2019, p. 57).

The sanctions and counter-sanctions measures led to the development of a coherent import substitution policy, primarily in the agro-industrial complex. Thus, at the end of 2019, an increase in agricultural production by 1.6% after a decline of 0.6% in 2018 was as predicted by the Ministry of Economic Development. According to the forecast of socio-economic development prepared by the ministry, the growth was determined, among other things, by the low base of the previous year in crop production, when the grain harvest decreased by 16% and sugar beet by 19%. In 2020, the growth of the agro-industrial complex is projected by 1.7%, and by 2030, the volume of agricultural products is expected to increase by 31.6% against the level of 2018 (Dyatlovskaya, 2019).

Coface experts conclude that the Russian food embargo became a fairly effective response to Western sanctions. In total, food imports in 2018 amounted to 11.4% of the total import portfolio of the Russian Federation, while in 2012 the figure was 13% (Through sanctions to the stars, 2019).

However, the same experts note another result of the food embargo – an increase in food prices. In the last five years since 2013, the retail prices were: butter (+ 79%), frozen fish (+ 68%), cabbage (+ 62%), sunflower oil (+ 35%), pasta (+ 34%), wheat flour (+ 25%), which means that the main burden of the import substitution policy is shifting onto the country's population.

On the one hand, the volume of domestic agricultural production increased, and imports decreased. On the other hand, the average food consumption per capita decreased against the background of rising prices and significant budgetary injections.

Besides, experts note that Russia imports significantly more means of production than it exports. In 2018, imports of production mechanics and equipment amounted to 33.7% of the total import portfolio; in 2013, the figure reached 29.3% (Trade in Russia, 2019).

The analysis of imports structure indicators in this study also revealed an increase, albeit insignificant, in the share of machinery, equipment, and products of the chemical industry, which indicates that the course towards import substitution in these sectors is not yet being realized. Domestic enterprises continue to prefer imports in this area, despite the ruble collapse compared to 2013. However, in the transport product group (land transport vehicles (except for railway and tramways) and their parts, as well as vessels) the import substitution policy had its successes, and the share of this group decreased slightly. The construction of the Crimean Bridge, the renewal of the domestic sea and river fleets contributed to these positive changes.

Despite the fact that the main commodity groups reduced their share in the total volume of imports/exports, the present study revealed no fundamental changes in the structure of imports/exports since 2013.

At the same time, the majority of Russian economists underline the need to prioritize the country's entry into value chains in order to obtain greater benefits from trade. Moreover, researchers and experts today heatedly discuss the impact of changes in global value chains on the dynamics of world trade volume (Nazarov, 2019, p. 79-80).

According to researchers, the biggest issue with the import substitution program in Russia lies in focusing on the distribution of government subsidies for production; these are received not by the most worthy industry participant (from the point of view of the market) but by the most skillful in the bureaucratic sense (Shirokova, 2019, p.92). Foreign analysts also note that “import restrictions do not contribute to the improvement of the business climate in the Russian market. Due to import

restrictions and the high concentration of economy, competition decreases on the Russian market, and numerous enterprises profit only from the privileges obtained by the authorities' interest in import substitution" (Through sanctions to the stars, 2019). In this regard, economists underline the need to skillfully use market mechanisms and principles of free trade in the current conditions (Belova, 2020, p.137). Experts especially note that, taking into account the changes in the conditions for foreign trade functioning, higher requirements are imposed on the choice of public administration method (Senin, 2017).

The negative impact of sanctions and anti-sanctions on foreign trade is exacerbating the pandemic crisis and related restrictions. Experts note a decrease in the export of raw materials: for example, the export of oil in monetary terms fell by 36%, of oil products by 24%, and of natural gas by 55%. Imports of goods and volumes of imports and exports of services decreased. Coface expects that the trade balance of the Russian Federation at the end of 2020 will significantly deteriorate compared to the indicators of 2019. However, analysts of this company believe that the trade balance will remain in surplus. In addition, Chinese suppliers became more competitive. A significant part of exports falls on long-term contracts and is less dependent on spot oil prices (Macroeconomic and sectoral review of the Russian market, 2020).

Thus, the impact of sanctions on foreign trade is not only ambiguous but ineffective, since the Russian government reduces the negative impact, in particular, by pursuing a policy of import substitution, and, at the same time, does not attempt to fulfill the conditions of the countries that applied sanctions. The imposition of sanctions changes the priorities of the state and limits opportunities yet helps establish ties with new partners and revises the structure of import and export of goods.

## **5. Conclusion**

The data obtained as a result of the present study reflect the consequences of economic sanctions on foreign trade and indicate the need for further development of adaptation measures taking into account the tools of selective protectionism, and simultaneous liberalization of import tariffs in markets with limited competition. At the same time, given the ongoing sanctions pressure on foreign trade turnover, it is necessary to fine-tune the selective protectionism measures with free trade measures.

Economic sanctions, designed to reduce Russia's influence in the economic and political spheres, have their negative effect on the dynamics and structure of Russian foreign trade; however, one should not forget about their positive effect.

In this regard, when designing approaches to further development of adaptation measures, it is necessary to take a balanced method. These approaches should shift from anti-crisis measures (which were especially acute in 2014-2015) to adaptation measures aimed at supporting and developing domestic producers, especially in the export and import substitution industries. At the same time, an anti-crisis policy that strengthens protectionist measures in the long term can lead to monopolization of the Russian market, the conservation of outdated technologies, and a lag in the competitiveness of Russian products.

Therefore, in the 'Forecast of socio-economic development' by the Ministry of Economic Development of Russia for the period up to 2024, along with the protection of domestic producers in the foreign market, the investment model provides for the active development of non-resource manufacturing industries to maintain export growth rates. The implementation of investment programs will increase the share of imports due to investment goods.

Among the government measures already taken, the system of sectoral government subsidies for technical re-equipment and innovative projects seems effective; this mechanism attracted the interest of domestic and foreign investors. Additional areas to stimulate Russian exports can include both the segment of engineering services and licensed export transactions, and the creation of an international leasing company to promote high-tech products to the foreign market. Particular attention should also be paid to creating conditions for thoughtful, well-coordinated work of federal and regional authorities to stimulate domestic exports and enterprises in the field of import substitution, taking into account the geopolitical position of individual subjects of the Russian Federation, which could be one of the locomotives of confident economic growth.

In any case, market efficiency considerations are of decisive importance in choosing approaches to further develop adaptation measures.

The results of the study (which was based on the analysis of official statistical data and on expert opinions) reveal the negative impact of sanctions and anti-sanctions on foreign trade; however, their low efficiency can be noted. The materials of the study are valuable for researchers in the field of economics who study the measures that international organizations or other countries take to influence the state, and who study the effectiveness of sanctions both in general and in the field of foreign trade.

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