



Khudoyberdiyev Javokhir Jasur ugli

Master student of The University of World Economy and Diplomacy

ORCID: 0009-0002-5642-6206

[*jasurdilnoza2@gmail.com*](mailto:jasurdilnoza2@gmail.com)

Akbarov Shokhabbos Khamikjon ugli,

Master student of Tashkent State University of Economics

ORCID: 0000-0002-8877-016X

[*akbarovshokhabbos@gmail.com*](mailto:akbarovshokhabbos@gmail.com)

THE IMPACT OF SANCTIONS ON THE RUSSIAN ECONOMY

ABSTRACT. The recent months have seen an increasing degree of adaptation and new types of cooperation, but also a rising number of risks and uncertainties, characterized by the development of economies across post-Soviet Union countries. At the same time, the countries of the region have managed not only to maintain the pace of economic growth, but also, in most cases, to create a new system of economic relations that takes into account the constraints on sanctions. The effect of economic sanctions imposed by Russia is laid down briefly, with a view to analyzing their positive and negative aspects. Measures are outlined to restore Russia's economic situation in the wake of the crisis.

KEY WORDS: crisis, international pressure, changes, political problems, economy, sanctions, bankruptcy.

АБСТРАКТ. В последние месяцы наблюдалась растущая степень адаптации и новые виды сотрудничества, но также и рост числа рисков и неопределенностей, характерных для развития экономик стран постсоветского Союза. При этом странам региона удалось не только сохранить темпы экономического роста, но и в большинстве случаев создать новую систему экономических отношений, учитывающую санкционные ограничения. Кратко изложен эффект экономических санкций, введенных Россией, с целью анализа их положительных и отрицательных сторон. Намечены меры по восстановлению экономического положения России после кризиса.

КЛЮЧЕВЫЕ СЛОВА: кризис, международное давление, перемены, политические проблемы, экономика, санкции, банкротство.

INTRODUCTION

In economic globalization, the introduction of a variety of constraints affects the pace and success of any country's economy when its stability is determined by the level of development in global and economic relations. In recent years, due to events in Ukraine and imposed sanctions, Russia has been in a financial crisis and is experiencing enormous international pressure. It is important to note that economic sanctions have had an impact on key aspects of the State's policy, such as banking, oil and gas, and military industrial complex. Indicators defining the changes in Russia's economic situation should be taken



into account prior to taking a look at areas affected by sanctions. In view of all that has been connected with the fall in oil prices, plus a rise in the value of the US dollar, euro and other currencies relative to its national currency, it is extremely difficult to evaluate this entire set of indicators or certain aspects thereof. Economic sanctions imposed by Russia have changed significantly over the last ten years. In short, a rapid change in the structure of the economy and attitude took place as a result of the political problems with Ukraine which have led to an impact on the whole area. Furthermore, the economic regulation was affected by these changes.

Sanctions are a tool to influence the economy of the country in which they are applied at any time. The country's economic development is also a determining factor in its resistance to the imposed sanctions. The option of developing the economy through internal resources can be available to a country which has been subject to sanctions. The Russian economy has obviously been adversely affected by the sanctions imposed on Russia. It is therefore an incentive to develop the economy. The positive aspects are: access to new markets for products on the world market; developments in agriculture and a government import Substitution Programme.

Sanctions may be regarded as limitations on the state. It can highlight some of the financial penalties here. Trade sanctions and financial penalties. Common trade sanctions: an embargo, which means a ban on exports from the country and imports of goods. country; a ban on supplying certain or all products to the country, for example: arms and high technology. In foreign trade relations, limiting export to countries subject to sanctions has implications for the decrease in national income, hard currency revenues and ability to obtain necessary goods on a global market. Economic sanctions can include the prohibition of financial transactions with a particular country and companies. This country, as well as a ban on investment in this country's economy.

RESULTS

The serious influence of the economic sanctions imposed on Russia and still in force today is considered a major factor that has had an effect on Russian business' financial stability as well as national economic stability. These included the following negative developments: depreciation of the ruble's exchange rate; global oil prices falling; declining consumer confidence index; rising amounts deducted from Russia's Federal Budget. The consequences of the sanctions on Russia's economy:

First of all, the banking sector. As a result of the ban on access to European markets, liquidity issues in the banking sector have developed. With the state participation of Gazprom bank, VTB, VEB and Sberbank, US Financial Markets for Large Russian Banks. There are difficulties for companies to access credit as well as funding working capital and investment programs. [2] The population is experiencing an increase in interest rates on consumer and mortgage loans.

Second, the food sector. As a result of the import ban on foodstuffs and ingredients from abroad, social



tension is growing. In contrast, the imposition of sanctions has contributed to developing policies on substitution of imports within the Agro Industries Industrial Complex.

Thirdly, the oil and gas sector. Technical restrictions are limiting the production of new fields, which entails a reduction in resource exports and this is reflected in lower oil and gas revenues for the consolidated budget of the Russian Federation. Sanctions in the oil and gas sector bar Russia's firms from using it Western technologies and equipment, which are blocking the continuation of current projects and refuse to undertake new ones. The crisis affecting visibility in the banking sector, threat to bankruptcy of business enterprises, lack of long-term investment projects can be identified as areas where priority should be given. The decrease in consumer activity, the increasing unemployment rates and a rise of social tensions. Further resources from the Federal Budget had been needed to support activities of such enterprises in view of decreasing investments by large Russian firms as a result of sanctions imposed on the Federation. [5] Consequently, the policy on budgets for 2014 and the first half of 2015 was implemented with an objective approach. new economic conditions. To give clear example The National Fund is a source of funding for financial undertakings which have been affected by the sanctions against Russia. The social security and pension fund.

Apart from negative effects on a country's economy, the economic experts also note that sanctions have been beneficial for several sectors of its economy. Russia is forced to adapt to new economic conditions as a result of US and EU sanctions against Russia. A series of reports have been published in National Interest which indicate that certain sectors of the economy, agriculture, are benefiting from restrictions imposed on Russia. In the article "Russia is winning the war of sanctions" for this magazine, Professor of Political Science at the American University of Virginia (USA) Judy Twig notes that under the influence of sanctions, thanks to restrictions, Russia received an incentive for economic growth in the agro-industrial complex in agriculture and came out of states of stagnation. In the opinion of a political scientist, Russia's agriculture sector is likely to continue its development and can be an active contributor to economic developments throughout the country. They emphasize that the West countries must realize that in the sanctions war with the West, Russia is "several steps ahead", and sanctions are brought to it only benefit. [3]

Russia's commercial activity has begun to infiltrate Asian financial markets in response to the sanctions. In reply response to attempts to limit the settlements of a number of banks in the Visa and MasterCard systems, in Russia on July 23, 2014, it was launched on the national payment system "Mir", which has been successfully operating to this day. [1] Sanctions have played a role in enhancing and developing new foreign trade relations.

DISCUSSION



The first reason for imposing sanctions against Russia was the Crimean referendum of 16 March 2014. The 1st tranche of sanctions on the Russian Federation was put in place by the United States, European Union, Australia, New Zealand and Canada. [1] This package Sanctions included freezing of assets, introduction of visa restrictions for some individuals, prohibiting companies from being able to maintain business relations with persons or organizations in countries that impose sanctions on them. These are marked on specific prohibition lists. Moreover, it has begun to cut back on contacts and cooperation with the Russian Federation. We have a relationship with Russian organizations in different areas of activity. [6]

The aggravation of the situation in the south-east of Ukraine served to further expand sanctions aimed at against the Russian Federation. Sanctions which are targeted at key sectors of the Russian economy may be defined as imposed sanctions. What's the way they're showing it? This limitation applies only to individual persons and certain commercial structures but does not apply to the state as a whole. The key competition sectors in Russia's economy: oil, gas, and banking have been hit by sanctions imposed against the Federation since 2014. The tools used by the United States and the EU to remove Russia's competing enterprises from the global market have been both economically and political in nature. Some experts feel that the imposed sanctions have been one of the reasons for the Russian Federation's economic crisis, others think it was due to a fall in oil prices. Below is an econometric analysis of Russian export dynamics since the beginning of the 21st century, as well as a forecast of future values:

Table 1

Year	Export (mln. dollars)	Year	Export (mln. dollars)
1994	63 286	2009	301 667
1995	78 217	2010	397 068
1996	85189	2011	516 718
1997	85 096	2012	524 735
1998	71314	2013	525 976
1999	72 885	2014	497 359
2000	103 093	2015	343 512
2001	99 969	2016	285 652
2002	106 712	2017	357 266
2003	133 656	2018	450 278
2004	181 600	2019	424 261
2005	241 473	2020	337 295
2006	301 244	2021	493 096
2007	351 928	2022	591 500
2008	467 581	2023	---

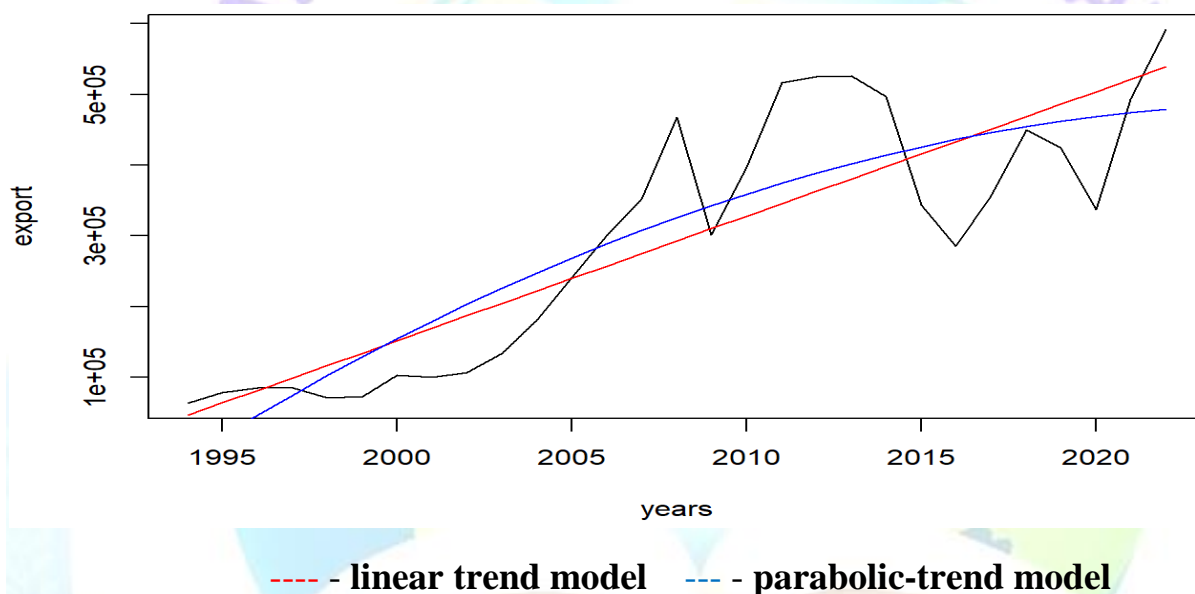
Exports of the Russian Federation since 2000 (million USD) [8]



According to this information, we can predict the volume of foreign trade turnover in the coming years with a confidence interval of 95% using the ARIMA (Autoregressive Integrated Moving Average) model. In this we mainly use simpler or more complex methods such as naïve, linear-trend or parabolic-trend. The linear trend model assumes that the maximum level of the variables used on both sides of the equation is equal to 1, and the parabolic trend model assumes the use of the squares of the variables. Our research has shown that the linear-trend model is highly effective in estimating these trends, and the equation is as follows:

$$X_t = 28923 + 17588 \cdot t + 0.6461 \cdot \varepsilon_{t-1} + w_t$$

Chart 1



Changes in Russian exports in the 21st century

X_t – volume of foreign trade turnover in a certain year;

t – Linear average annual difference. Means the average annual amount of increase or decrease during the period;

ε_{t-1} – the autoregressive component of the previous year. It evaluates the effect of indicators of previous years on the value of the current period;

w_t – White noise. Reflects variability not accounted for by other components.

If we make a forecast for the next 3 years based on this model, in 2023 Russia will export goods and services in the amount of 59 050 060,000 US dollars, in 2024 in the amount of 59 6079 60,000 US dollars, and in 2025 in the amount of 60 590 890,000 US dollars. It should not be forgotten that the amounts are theoretical calculated, and as a result of any unexpected macroeconomic effects, the actual value may differ from the forecast value. The impact of such changes is covered by w_t in our econometric model.



CONCLUSION

Sanctions against Russia have a number of negative effects on investment, in particular the following: they make it much harder to do business with world finance markets; sanctions are reinforced and access is blocked. The fact that direct investment has fallen by nearly 60 % in Russia's unbanked sector from 2014, is a negative factor which should be attributed to the decreasing level of investments in this country. The domestic currency fell by nearly half against the dollar and euro, as a result of increased demand from credit institutions for currencies in order to meet debt repayments abroad. One reason for a more significant weakening of national currency was devaluation expectations, followed by an increased population's interest in foreign currencies. In such a situation, the risk of non-repayable foreign currency loans increases, which can lead to bankruptcy of even very large enterprises.

Economic action from Russia is essential to cope with the crisis. A favorable investment climate should be established, agricultural and scientific support must also be provided to banks in order to recapitalize them. Sanctions against Russia should give impetus to the development of the Russian economy. Igor Rudensky, Chairman of the State Duma Committee on Economic Policy, said: "This is an opportunity to engage in your economy more actively, and to make the most of this opportunity, it is necessary to move to active investment in this policy." Nevertheless, it should also be noted that the geopolitics of the world are about to change dramatically. In history, everything will be placed in its place.

The following factors may contribute to speeding up economic recovery in Russia:

- rapid diversification of the country's economy and reduction of dependence on exports from other countries;
- maintaining a policy of import substitution of industries such as mechanical engineering, IT sector, chemical industry, metallurgy;
- creation of an independent multi-currency economy partners in rubles;
- introduction of public-private principles;partnerships;
- global recertification of absolutely all employees, starting with ordinary specialists at the plantand ending with civil servants;
- participation in new economic blocs of the eastern direction.

Moreover, support from the state, in particular from the government, is urgently needed in the context of the continuation of bilateral sanctions, in particular with regard to the development of Russia's investment potential. The following could be the manifestations of this:

- the development of subsidy programs be stationary projects, production modernization;
- introduction of benefits at the legislative level when implementing investment projects by Russian enterprises;
- provision of state guarantees for investment projects: enterprises;



- provision of state guarantees for investment projects;
- reduction of the population, which becomes the main reason is tax;

That's just a couple of recommendations. In fact, this issue requires greater attention because it is extremely difficult to produce a balanced economy in the country, especially if external factors are significant.

REFERENCE:

1. <https://www.consilium.europa.eu/en/infographics/impact-sanctions-russian-economy/>
2. European Politics and Policy or the London School of Economics. Featured image credit: kremlin.ru / Krasilnikov Stanislav, TASS Photo Host Agency
3. Simola, Heli, 2023. "What the literature says about the effects of sanctions on Russia," BOFIT Policy Briefs 8/2023, Bank of Finland Institute for Emerging Economies (BOFIT).
4. How have sanctions impacted Russia? Maria Demertzis Benjamin Hilgenstock Ben McWilliams Elina Ribakova Simone Tagliapietra. Article.
5. Scientific Papers JOURNAL OF INTERNATIONAL STUDIES. The impact of economic sanctions on Russian economy and the RUB/USD exchange rate.
6. Нуреев Р. М., Бусыгин Е. Г. Экономические санкции запада и российские антисанкции: успех или провал // JOURNAL OF INSTITUTIONAL STUDIES (Журнал институциональных исследований) Том 8, № 4. 2016, с. 7-27
7. Филиппова И. А., Красильникова Е. Э Негативные последствия экономических санкций — «эффект бумеранга»// Национальные интересы: приоритеты и безопасность № 5 (2016), с. 104–110
8. https://rosstat.gov.ru/statistics/vneshnyaya_torgovlya