

# Economic Achievements, Failures and Expectations of the 21 Century

Под редакцией  
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# **ECONOMIC ACHIEVEMENTS, FAILURES AND EXPECTATIONS OF THE 21 CENTURY**

**Сборник статей  
XI Международной студенческой  
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## **RISKS AND PROSPECTS OF USING CRYPTOCURRENCIES IN THE NATIONAL ECONOMY**

**Abstract.** This report focuses on the advantages and disadvantages of using cryptocurrencies in the national economy today. The study surveys the methods of theoretical and empirical research appropriate in the current situation. Using statistical data and data from expert assessments, the author analyzes the opportunities and risks inherent in cryptocurrencies used by the national economy in the face of increasing global uncertainty.

**Keywords:** cryptocurrency, stablecoins, payment innovation, fintech

Cryptocurrencies are a relatively new phenomenon in economic life. The emergence and rapid spread of cryptocurrencies in the economy, according to numerous researchers, is a consequence of increasing global instability in recent years, an attempt to overcome some of the contradictions inherent in the global economic system.

A description of a similar phenomenon of private money can be found in some fundamental scientific works on economic theory, most fully in the works of F. von Hayek, an economist of the Austrian school. Cryptocurrencies themselves, due to a relatively short period of existence, are currently the subject of active discussions in the professional and scientific communities.

### **Cryptocurrencies: brief overview**

Most existing cryptocurrencies consist of a peer-to-peer payment system, whose reliability is technologically ensured, and tokens used to transfer specifically formulated information between nodes in the system that store the entire system registry. The first cryptocurrency using blockchain technology, Bitcoin, appeared in 2009, and its key competitive advantage for the payment services market was the absence of an intermediary - the “central node” of the conventional payment network - in conducting transactions. In this case, the services of the central node - the issuance of tokens, except in advance, and the expedited servicing of transactions on a reimbursable basis - were taken over by all nodes

of the network engaged in mining. Mining is a complex and often resource-intensive process of transaction validation that uses special algorithms to protect the registry from misuse. The reward for mining is a certain number of tokens, the number of which is determined automatically, most often using PoW (Proof-of-work), PoS (Proof-of-stake) algorithms or their hybrids. Most altcoin registries (cryptocurrencies alternative to the Bitcoin network), such as Litecoin and Monero, operate on the above principles, with minor modifications.

With the launch and expansion of the Ethereum ICO, the idea of trusting a decentralized-validated network, rather than a central regulator, has been expanded and expanded into a new form: smart contracts. Smart contracts are a special form of contract in which the signers trust a special computer algorithm to guarantee the terms of the contract. Most adapted to the use of smart contracts, Ethereum blockchain proved to be a convenient environment for the formation of a whole ecosystem of decentralized applications (DApps), allowing not only to automate financial services, simplifying the process of providing and receiving them, but also to provide non-financial services in a new format. One of the most popular types of such services has been the formation and trading of non-exchangeable tokens (NFTs) - a set of information whose uniqueness is confirmed by the blockchain.

Finally, specialized cryptocurrency systems such as Namecoin, Ripple or Sia offered a special environment for different types of decentralized services: in the case of the above names - for Internet domain name registration, interbank payments and cloud data storage, respectively. Such systems were a development and organic addition to corporate networks of distributed registries, making it possible to reduce the number of risks when different companies interact with each other.

Together with mining, the main way for economic actors to obtain cryptocurrency is to buy it. The main trading platform for such purchases are specialized organizations operating in the Internet - cryptocurrency exchanges. The specificity of the activities of these exchanges lies in the weak legislative regulation characteristic of the cryptocurrency industry, as well as non-transparency of what is happening to an outside observer. The main problems arising from the specifics of this sphere are the lack of unambiguously defined rules regulating the rights and obligations of users and administration, weak possibility to conduct any external checks that can confirm the absence of market manipulation by administrations of different exchanges, optional or insufficient AML/CFT procedures, which must precede the placement of tokens in exchange trading.

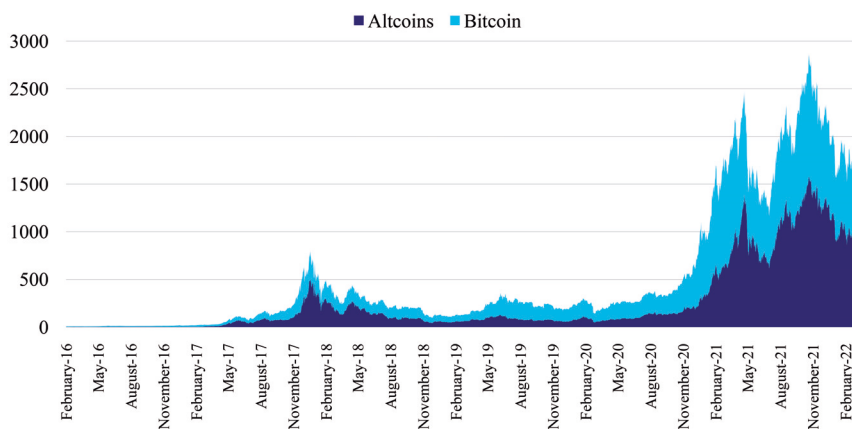
## **Cryptocurrencies: economic applications**

Since their inception, cryptoassets have been actively used to finance the underground market. Because of their nature as a depersonalized asset,

cryptocurrencies are an ideal vehicle for illicit financial flows, serving trade in illicit goods and services around the world, both within and between national jurisdictions. In 2019, criminal activity accounted for 2.1 percent of all cryptocurrency transactions, or approximately \$21.4 billion worldwide, according to information published by financial investigations firm Chainalysis. In 2020, this figure dropped to 0.34%, or

\$10.0 billion. The data shows a steady downward trend, down from 7% in 2012. The main segment of illicit transactions serviced continues to be narcotics trafficking. The main reason for the decrease in the share of illegal transactions in the total amount of transactions is said to be the active intensification of economic activity using cryptocurrency, the global volume of which almost tripled from 2019 to 2020. [2]

As of March 2022, cryptocurrencies are a fairly common asset class with increasing capitalization.



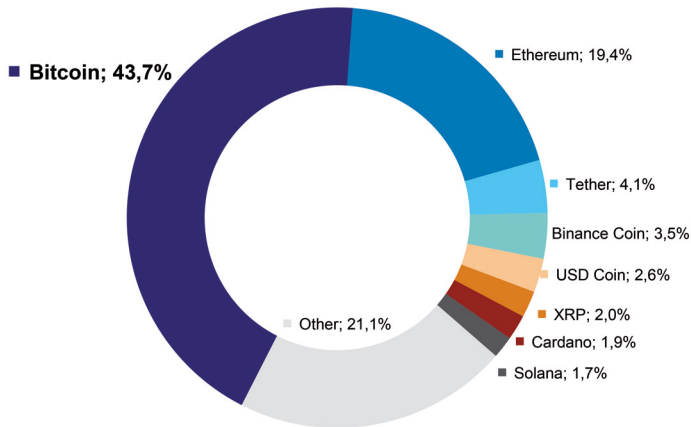
**Figure 1.** Market capitalization of cryptocurrencies, \$ bln.

*Source:* author's aggregation of data from Coin.Dance: <https://coin.dance/stats/>

As can be seen from Figure 2, Bitcoin is the cryptocurrency with the largest capitalization. On March 27, 2022, the shares of the main assets in this market are distributed as follows:

Bitcoin and Ethereum remain the major asset classes in this market, accounting for over 60% of the market. The other coins have a much smaller share, which nevertheless tends to increase over time due to the increasing diversity in the market. Despite the fact that the real capitalization of each of the tokens is, with a high probability, below the estimated values due to the irretrievable loss of some tokens for various reasons, the above data clearly illustrates the gradual growth of interest in cryptocurrencies among the subjects of the global economy.





**Figure 2.** Shares of different assets in cryptocurrency market 27.03.2022

*Source:* author's aggregation of data from Coin.Dance: <https://coin.dance/stats/>

Current data confirms not only high value of correlation between the rates of leading cryptocurrencies, but also rather high value of correlation of the rates of cryptocurrencies with standard asset classes – like gold and stock indices S&P 500 and Nasdaq 100[3]. This fact allows us to talk about the demarginalization of cryptocurrencies and the emergence of a new super-risky asset class in the global financial market.

## Cryptocurrencies for the national economy

The reason for a significant acceptance of cryptocurrencies in different cultures and economic systems is a combination of factors, which include:

- the rigidity and excessive regulation of financial and commodity flows at the national and global level;
- justified distrust of the population, the corporate sector and nation-states in the established global financial system;
- the quick and cheap use of cryptocurrency systems for cross-border transfers;
- technological novelty, accelerating business processes and allowing them to automate and replace the functions of intermediaries.

Due to such factors, promising areas of application of cryptocurrencies in the national economy are as follows:

- replacement of fiat currencies in national jurisdictions with weak economies (“cryptization” instead of dollarization);
- digitalization of the micropayment market for the population in developing countries;

- overcoming the effect of international sanctions;
- building a new, digital financial system with fast, decentralized mechanisms for responding to shocks [1, p.301].

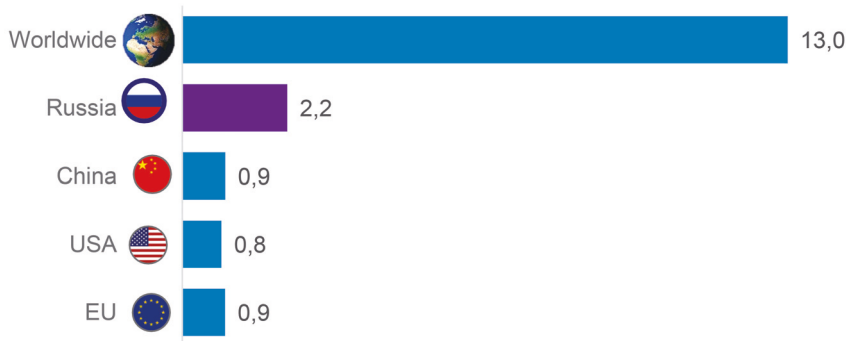
Wider introduction of cryptocurrencies in their current form carries a number of significant risks for the financial stability of the national and global economies. An inherent risks of such an implementation include:

- different technological risks;
- bad end-user adoption due to the lack of intuitive understanding of technology;
- legalization risks;
- obstruction of innovations from the financial sector and government agencies.

At a larger scale, specific risks inherent in cryptocurrency systems can be considered:

- substitution of traditional fiat currencies in poorly regulated areas of national economies
- risks to financial stability;
- the risk of losing decentralization.

In Russia, a widespread use of cryptocurrencies may carry additional benefits related to the cheapness of electricity required for PoW-mining. Based on data on the use of the cryptocurrency p2p exchange LocalBitcoins, which is not engaged in speculative trading, cryptocurrency is a very popular phenomenon, highly relevant to the Russian economy:



**Figure 3.** Local bitcoins weekly trading data for 19.03-26.03.2022, \$ mln.

*Source:* author's aggregation of data from <https://coin.dance/stats/>

As the global uncertainty continues to increase, cryptocurrencies may take over some of the functions of the financial system and the state. A barrier to a widespread use of cryptocurrencies, however, is their unfamiliarity for the end user and the existential risks they pose to a familiar financial system.

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# CHANGING LANDSCAPE AND CRUCIAL ISSUES OF TODAY'S WORLD

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## TRANSFORMATION OF GLOBAL FINANCIAL SYSTEM IN THE FIRST DECADES OF THE 21ST CENTURY

**Abstract.** The article analyzes the changes occurred in the global financial system in the XXI century. Based on data analysis, the study also covers the global financial system in its entirety as a combination of individual financial markets and international financial institutions. The process of reforming the global financial system has made it possible to reduce risks in certain segments of the global financial market, but at the same time has retained relatively less regulated segments, which in the future may be exposed to the risks of financial shocks. Changes in the global financial architecture have led to the formal involvement of emerging market countries in the process of reforming the global financial system and to a certain strengthening of a supranational component of regulation.

**Keywords:** global financial system, financial architecture, banking system, securities markets, cross-border capital flows.

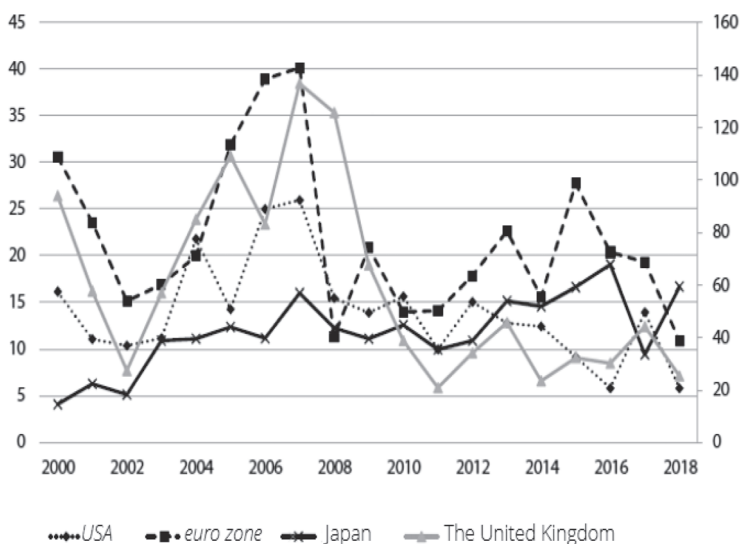
### Introduction

The past two decades of the 21st century have not been distinguished by unidirectional trends in global financial markets. There are four main periods within the considered time period.

1. The first years of the 21st century were marked by a crisis in the global stock market and crises in individual countries with emerging markets.
2. By 2003, these negative trends were reversed, and global financial markets entered a period of rapid growth that continued until 2007. The period was driven by the previous policy of low interest rates led by central banks, a combination of high economic growth and low inflation, along with ongoing trends in monetary and financial liberalization.

3. In 2007, the world financial markets began to show the first signs of the global economic and financial crisis, the acute phase of which began in September 2008 and continued until 2009.
4. The post-crisis period, which continued until 2019, was marked by trends in various segments of the global financial markets. Finally, the second decade of the 21st century was marked by the beginning of a new global economic crisis associated with the emergence of the COVID-19 pandemic [1, p. 2].

These periods are illustrated through the dynamics of gross cross-border capital flows.



**Figure 1.** Gross Cross-border Flows in Countries with the World's Leading Currencies, % of GDP

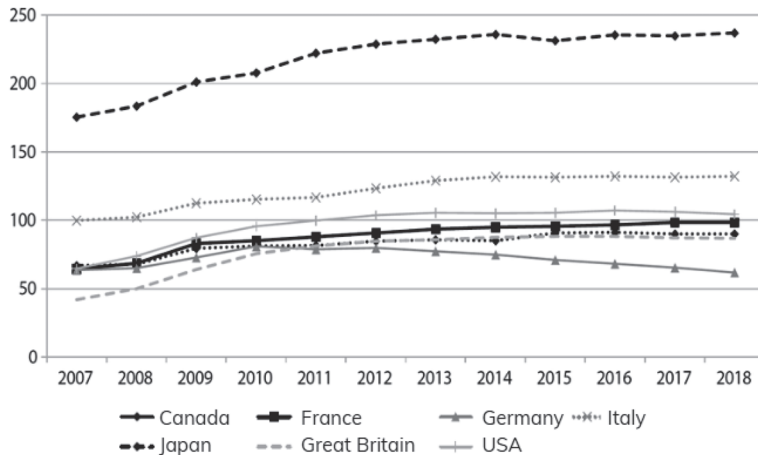
*Source:* Calculations based on data from the International Monetary Fund  
<https://data.imf.org/regular.aspx?key=62805742>,  
 date of the application: 25.03.2022

Practically in all leading centers of international capital flow among developed countries, a reduction in the corresponding flows can be noted: for example, in the euro area - from 28.5% in 2000–2007 to 18.3% 2011–2018. [2, p. 3–4].

## Major trends in the financial system

The world faced changes in the financial system, which can be summarized by the trends:

1. Imbalances. A sharp aggravation of the imbalance occurred in 2009, when there was a threat of global warming.
2. Increase in debt load. It is evident from Figure 2 that the growth of public debt occurred mainly during the global economic and financial crisis, reflecting active measures to support aggregate demand on the part of the state, primarily in developed market economies. After the crisis period, only Germany managed to reduce the level of debt.



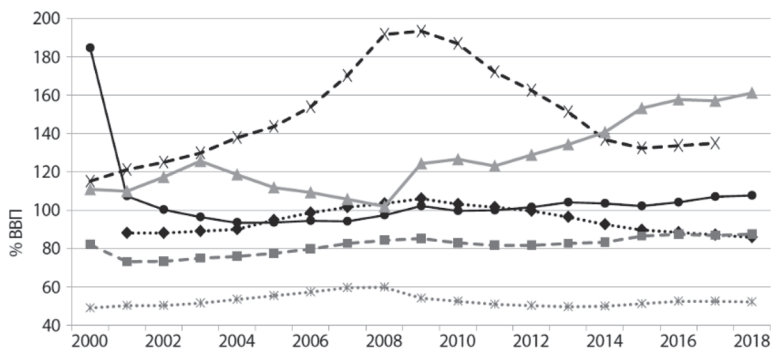
**Figure 2.** Gross Public Debt (% of GDP) in G7 Countries

Source: World Economic Outlook Database as of April 2019:

<https://www.imf.org/external/pubs/ft/weo/2019/01/weodata/index.aspx>,  
date of application 25.03.2022

3. Development of world stock market. The indicators of capitalization and liquidity of the global stock market demonstrated cyclical dynamics. With the general preservation of the US leadership in this segment, it should be noted that China, where the “bubble” on the national stock market burst in 2015, and Japan also provided the growth of liquidity. At the same time, the maximum volatility in the world stock market took place during the global economic crises: in 2008–2009 and 2020. [3, p. 4].

The banking sector, like other segments of the global financial system, was seriously affected by the global economic and financial crisis, although during the crisis itself it received large-scale support from the state [4, p. 4].



**Figure 3.** Bank Credit to the Private Sector, % of GDP

Source: World Bank data <https://data.worldbank.org/indicator/FD.AST.PRVT.GD.ZS>, date of application 25.08.2020

## Main directions in global financial system reforming

The main progress is observed in the field of reforming the global banking system, where the main achievement was the adoption and implementation of the Basel III standards. As part of these standards, approaches to assessing the capital adequacy of banks were changed and new indicators were introduced: leverage ratio, liquidity coverage ratio and Net Stable Funding Ratio.

Measures aimed at regulating “shadow” banking activities. Overcoming the current situation can be the expansion of the number of segments of the global financial system, which are subject to the process of reform and regulation. Some measures have been taken to combat the use of offshore jurisdictions. They have been adopted both at the national level (for example, the 2010 law on foreign accounts in the US), at the EU level and international organizations - approved at the G20 summit in St. Petersburg in 2013 “Action Plan to Combat Base Erosion and Profit Shifting”

Promising directions for reforming the global financial system have been outlined, which include responses to technological, climate and social challenges. The spread of new technologies can significantly reduce the costs of financial intermediation. Proposals for reforming the global financial system, taking into account the concept of sustainable development, were prepared by the UN Environment Program.

## Conclusion

In certain segments of the global financial system, significant progress in reforming has been already made. The global banking system approached

the current economic crisis in 2022 in a more stable state than the global economic and financial crisis of 2008–2009. The reason for this was a noticeable transformation of the financial system and the development of the economy.

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## **CURRENT TRENDS IN THE GLOBAL ECONOMY: STAGNATION OR A NEW PHASE?**

**Abstract.** Today's world, with its constant changes, invites us to think about how the world economy will change in the long run. We are the witnesses of a significant slowdown in business activity. Nowadays the world is going along a complicated path of economic downturn. But current problems require modern solutions. This article presents the analysis of possible scenarios for reshaping the world economy.

**Keywords:** global economy, progress, innovations, global crisis

The world has changed dramatically in the past two or three decades. A month ago, coronavirus infection was all over the planet. The pandemic scenario had previously been raised as a possibility in economic policy discussions, but none of us had any definite idea of what it would actually look like or what it would mean for the economy. Now we face a harsh reality that has shown the whole plethora of risks to the global economy.

Moreover, at present, the world is going through a complicated period of economic downturn. Many people's minds are now filled with the questions: What will the global economy be like? Will the current situation lead to a global crisis? Which scenario is the worst? Of course, there are plenty of opinions. Let us discuss these issues based on world news summaries and analyst articles.

Today we can see a certain disintegration of the world. Twenty-five years ago, one of the «Wired» magazine's editors described a future economic scenario. It was called the «long boom». Over these 25 years, the global average standard of living has risen for most of the world's inhabitants. In this sense the «long boom» really took place - there were many discoveries the development of the economy through greater implementation of IT, many breakthroughs and innovations. However today the question is: Will it be the «boom that is even bigger and stronger?» [1, p. 4]. Nowadays we can only assume and do our best.

Over the past 3 weeks, many global brands and companies (Inditex, McDonald's, Allen & Overy, Apple, BMW, DHL, Universal Pictures etc.) have been forced to restructure their operations abandoning some markets. Thus, losing profits. We cannot say for sure if things go back to normal or not and when it could

be. In general, the world and the economy reacted seriously to the aggressive actions. On February 22, European stocks reached a seven-month low. Trading on the London Stock Exchange started with a decline in the benchmark index of leading British companies FTSE 100 (by 1.5%). The S&P 500 lost 1%. Asian markets also fell, with Tokyo's Nikkei 225 down 1.7% and Hong Kong's Hang Seng down 2.8%, the biggest daily decline in five months. However, most analysts continue to downplay the impact of geopolitics on the stock market.

What about the options for protecting the economy and the prospects for continued existence? Periods of instability force investors to flee to safe assets. For example, among currencies these include the Japanese yen and the Swiss franc. Bitcoin has recently been considered a safe haven asset. But because it gained this status relatively recently (compared to traditional currencies, stocks and bonds), the cryptocurrency's behavior in unstable economic times has been mixed. Recently, the digital currency has been trading similar to the stock market, NXTmine reported. [5, p. 1] Over the past seven days, bitcoin has lost nearly 14% and is now trading at \$38,000.

In addition, gold remains a traditional safe haven in turbulent times. In December, the volume of physical metal in the largest «gold» exchange fund GLD ETF fell to a 20-month low, but has since increased by more than 50 tons. That has pushed up the spot price of gold, which has reached its highest levels since June 2021, around \$1900 an ounce. And that is not the limit. [3, p. 1]

There is only one thing that can be said with certainty-the world economy is at a crossroads, searching for a «cure» for economic convulsions. In 2020 analytics shocked by the unfolding pandemic, were unanimously saying «the world will never be the same again». All of us imagined some new universe, where the terrified inhabitants of Earth work remotely and move through space in masks, targeted by global digital dictators. These predictions turned out to be cute fiction. But now we can truly say: the world will never be the same. The world economy will not be destroyed, but a new era will begin. [4, p. 2] No one can say today what the entire world economy will look like in the end. As described above, significant restructuring has begun in various areas of the economy including the logistics sector and the food market which is now in a state of shock. Grain prices have reached all-time highs causing both tremendous food inflation in rich countries long weaned on it and the risk of critical food shortages in poor countries. As for the changes in the logical sector, there are some positive aspects. The formation of new transport routes which are emerging right now will contribute to the development of new regional economic systems, primarily in Asia.

The questions arise: What are the options? How will the global economic landscape change in the future?

We would like to express a positive opinion and hope that the world along with the economy will continue its development. There is a variety of trends driven by powerful momentum and leading to development. We believe that

their influence will only increase. These forces accelerate progress and prosperity and deserve to be treated optimistically.

The first is urbanization. The process of modernization and migration to the city has not yet been fully completed in the developing nations. But over the next 15-25 years, the process will be completed and almost everyone on the planet will be able to feel the progress on their own. Universal urbanization is more than a comfortable life. It is lead to a rapid progress and implementation of the number of innovations.

The second thing is global connectivity. The whole planet should be connected. A great deal is being written and said about it. This global connectivity makes an enormous audience and global market with potentially similar world movements and requirements. For example, a startup from a small country will have more chances than ever to have a customer base of more than a billion people-it is incredible! A huge audience finances not only massive cultural projects, but also provides a hundred of tiny niche markets. As a result, global commerce is growing and the unique practices are spreading all over the world. Global connectivity is a new tool for harnessing the inner genius of 8 billion people, no matter where they live.

In addition to the intense process of urbanization and the introduction of worldwide communication, new learning tools and techniques will accelerate innovation. This will also accelerate global economic development and is cause for optimism. The artificial intelligence technologies, different social medias will make the process of knowledge extraction is more comfortable, faster and more interesting. In this sense YouTube and Instagram are still underestimated. It is not a place for make-up and cooking tutorials, there are platforms for gaining a huge amount of knowledge in a wide variety of fields: lections on starting a business, 3D modeling, learning foreign languages, up to downloading the latest techniques in neurosurgery. Nowadays almost all scientific public presentation are recorded and posted on the World Wide Web, this needs to be further developed. But it is still not developed in education, public administration, not entirely in economic directions. Innovation in any field is the norm of our time. It is necessary to strive for their expansion. Best practices in innovation, global connections give impetus to development and new tools. It is a well-known fact that progress in learning contributes to progress in everything else.

As a final point it should be noted that the global economy now has a positive future. As is known and noted by many economists and analysts, the time of crisis is the best time for development and a quantum economic leap. We hope that with us it will happen exactly this scenario.

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## **LEGAL REGULATION OF CROWDLENDING AND CROWDINVESTING PLATFORMS IN RUSSIA**

**Abstract.** The purpose of this report is to provide a detailed overview of the existing regulatory and legislative framework that controls effectiveness of crowdfunding platforms in Russia. The analysis of Federal Law has revealed some gaps in the published law and allowed to formulate several proposals for its improvement. The analysis is based on the methods of empirical and theoretical research. The new Federal Law highlights a number of obligations and competencies for all participants in the investment process which is fundamental for the effective regulation of the crowdfunding phenomenon in Russia.

**Keywords.** Crowdfunding, crowdinvesting, platforms, innovation, entrepreneurship, legislation.

### **Introduction**

The current stage of Russian economy development is characterized by a rapid development of small and medium-sized businesses. Their activities have a significant impact on the economy of the Russian Federation. They produce a small but significant share of the gross domestic product of our country and create many new jobs. Consequently, the necessity to attract initial investments to finance their activities remains a significant problem for small and medium-sized businesses.

Internet development has significantly affected the economy and led to the formation of the crowdfunding market in Russia. The widespread use of this method of attracting financial resources requires state control. The problems of regulation of crowd lending organizations remain unresolved. The legal framework governing the activities of crowdfunding platforms and the process of crowdfunding investment is at the stage of development and remains the subject of strong changes.

### **The main features of crowdfunding regulation law**

Until quite recently, there were no mechanisms for legal protection of investors on crowdfunding platforms. There was also insufficient transparency of the

crowdlending system, and there were significant differences in the legal agreements of Russian crowdfunding platforms. Therefore, the creation of this law was necessary for both investors and investment platforms.

Initially, the law was supposed to be the basis for regulating crowdfunding, but later it became the basis for regulating Investment Internet Platforms (IIP). In fact, this type of activity in Russia was outside the framework of legal regulation before the adoption of the “Law on attracting investments using Investment Internet Platforms” in 2019 [1].

The appearance of this law made it possible to clear the investment services market from small players who do not have a stable financial position and other fraudulent investment platforms. The current version of the Federal Law requires amendments, because it contains a number of gaps that can be used by dishonest citizens.

The law introduces a completely new concept of “utilitarian digital rights” for Russian legislation. This is a digital financial asset that is issued in order to attract financing. Also, the final version of the federal law defines such concepts as: “investment platform”, “investments”, “activities for the organization of attracting investments”, “investor”, “person attracting investments”, “participants of the investment platform”, “operator of the investment platform”, etc. [2]

Also, the aspects of investment attraction activities are clearly spelled out, a list of investment methods is provided and a number of requirements that an investment platform must meet in order to carry out its activities are described. In the future, this document should be supplemented with a number of by-laws.

Analysis of Federal Law No. 259-FZ dated 02.08.2019 (as amended on 31.07.2020) “On Attracting Investments using Investment Platforms and on Amendments to Certain Legislative Acts of the Russian Federation” revealed some gaps in the published law and allowed to formulate several proposals for its improvement.

It is important to stress at this point that the legal regulation of crowdfunding in Russia applies exclusively to returnable crowdfunding models, i.e. crowdinvesting is financing through the issuance of securities, and crowdlending is the issuance of interest-bearing loans [2]. Consequently, the charitable crowdfunding model, the remuneration model and the pre-acquisition model have so far remained outside the legal framework of the current legislation. Thus, the activities of the largest crowdfunding platforms Boomstarter and Planeta.ru it is still not regulated by Russian law. Moreover, there is no any special tax benefits for crowdfunding platforms and for persons engaged in investment activities. The law does not provide for the possibility of investing through cryptocurrencies or digital currencies.

The law highlights a number of obligations and competencies for all participants in the investment process. Thus, this federal law is fundamental

for the effective regulation of the crowdfunding phenomenon in Russia and was developed for creating alternative sources of financing projects at early stages of development and minimizing the risks of financing participants. But there are a number of serious shortcomings in the law that should be corrected. Firstly, the adoption of the “crowdfunding law” did not solve the problem of the lack of a legal definition of crowdfunding. It is worth noting that this law is aimed at regulating only crowdfunding and crowdlending. Secondly, the established limits of invested funds are unreasonable and, it seems to me, should be revised. Thirdly, many issues remain open and require additional settlement by the Central Bank of Russia [3].

## Conclusion

Many issues, including the rules governing the activities of investment platform operators, have remained open and will be separately regulated by the Bank of Russia in the future. But in general, it can be concluded that this Federal Law is aimed at regulating already established legal relations in the field of crowdfunding and creates a legal basis for fundamentally new financing platforms and investments.

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## **NFT: A NEW SPECULATIVE BUBBLE OR FUTURE FOR DIGITAL ECONOMY?**

**Abstract.** Non-fungible tokens (NFT) have rapidly gained popularity, reaching \$25 billion in sales in 2021. The aim of the report is to provide a comprehensive understanding of the new technology and to analyze the prospects of future NFT implementation. The research was conducted on the basis of theoretical approach and an empirical study of factual data provided by statistical agencies. We are analyzing the use of blockchain technologies within the context of non-fungible token application that may be associated with digital files such as photos, videos, and audio.

**Keywords:** non-fungible tokens, blockchain, smart contracts.

The most popular trend in cryptocurrency nowadays is non-fungible tokens or NFTs. This innovation has experienced significant growth over the past few years, reaching \$25 billion in sales volume by the end of 2021 [1].

Non-fungible tokens (NFTs) are independent units of information stored on the blockchain and traded in the digital market. Its main feature is that it is inseparable and unique and can represent a particular digital or physical asset. The importance of NFTs is to show ownership of intellectual property such as original artwork and in-game items. In addition, NFTs can be associated with real-world assets such as stocks and real estate. Today, NFTs are widely used in games and collectables [2].

Cryptocurrency is currently in high trend at present, and it is important to note that NFTs are not identical to bitcoin or any other cryptocurrency. The principal distinction is that cryptocurrencies are limited and substitutable, whereas NFTs are unique, unlimited and non-substitutable. Though NFT's value can increase (just like real estate), it is not possible to exchange one NFT for another.

A significant point to make is that non-fungible tokens do not provide copyright and intellectual property rights to the files they are connected with. According to legal scholar Rebecca Tushnet, who specializes in the field of copyright, the purchaser does not automatically own the right of authorship of the underlying asset, unless it is explicitly stated [3].



As mentioned before, NFTs are stored on blockchains. It has a disadvantage: when operating with big files in particular, such as an artwork, for instance, the blockchain is unable to store the actual original digital asset. Anil Dash, one of the creators of the NFT technology, has recently confirmed this. He says, "This means that when someone buys an NFT, they are not buying the actual digital artwork; they are buying a link to it" [4]. Each NFT has a unique identification number that is verified against a public ledger and cannot be copied or altered. Therefore, when people buy an NFT, they are entitled to a unique token only, not to the artwork itself.

Currently, NFTs are operating in the sphere of online gaming and collectables. From actress Reese Witherspoon to rapper Eminem, many well-known celebrities and brands such as Nike and Louis Vuitton have also entered the NFT market. A peak of interest in NFTs occurred in March 2021, when an online artwork called *Everyday* by an artist named Beeple was sold to an anonymous buyer for \$69.3 million [5].

According to *Nonfungible.com*, which tracks a variety of NFT marketplaces, the average price for NFTs reached its peak of almost \$3,000 in November 2021. However, it then had a significant fall and by February 2022 the average price was approximately \$650, which is a decrease of almost 80% from its peak [6]. As we can see the prices are fluctuating depending on the demand. Items with NFTs are considered unique and are often used as a subject of investment.

Nevertheless, given the present geopolitical situation, it is important to monitor the state of the NFT market. According to *Cryptoslate.com*, NFT trading volume has fallen by 32% since the end of February, and it is predicted to be falling further amid crises [7]. The Russian-Ukrainian conflict has distracted from NFT to cryptocurrencies since there is increased interest in cryptocurrencies as a way to withdraw money from Russia in order to protect one's savings from devaluation. Therefore, we can see that NFT is primarily a speculative investment tool that quickly becomes irrelevant when the world is destabilized. Nevertheless, collectors that consider NFT a significant technology of the future still continue to buy art objects. It is likely that NFT will receive a new impetus in the near future since this field is devoid of both national and geographical references.

We assume that the implication field of NFT technology can be broadened in the near future. The main implication for NFT will still be in the field of art. Creators can connect their works with the non-fungible tokens, so that they can benefit if their work's value increases. Moreover, they can sell their work instantly through the NFT marketplace. NFTs drive the development of new digital art platforms. NFTs and blockchain ensure that ownership is genuine, thus users of digital platforms may not experience any problems with originality. Besides, it will help to deal with the issue of counterfeits because each item or file with NFT has a transparent history of all transactions.

Beyond this sphere, the possibilities of NFTs expand as they modify rules of possession. Transactions that change ownership mostly depend on many intermediaries. With the help of NFT this may not be necessary. Transactions that were held on blockchain are generally safe as long as the data they contain cannot be modified. Smart contracts can automatically change ownership of an asset without a lawyer, thus ensuring that both sides meet their obligations.

More than that, non-fungible tokens may completely transform existing markets of real estate and transport. NFTs can also solve land ownership issues. According to the World Bank's statistics, 70% of all people living on Earth do not register ownership of land and real estate. People who do not have well-defined rights find it much more difficult to access finance and bank loans. NFTs have the potential to be a new solution to this problem.

Finally, non-fungible tokens are a relatively new technology that allows each token to be unique. They are sold on the blockchain and can be linked to digital files such as photos, videos and audio files. Unlike traditional tokens, they represent unique digital content and cannot be duplicated. NFTs can be used for a variety of purposes, including identity verification, real estate ownership verification, and art.

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## **A NEW BREATH OF NATIONAL SOVEREIGNTY DUE TO THE COVID-19 PANDEMIC: ECONOMIC ASPECT**

**Abstract.** The Coronavirus pandemic has affected not only health of citizens, but also all spheres of human activity. It has enormous consequences for the global economy. The purpose of this project is to study the changing role of national sovereignty in the global economy due to the COVID-19 pandemic and to consider the crisis impact leading to restricted international mobility. Particular attention is paid to the quantitative analysis of oil-producing countries, countries economically dependent on tourism, and the EU states most affected by border closures. The paper considers the interdependence of the national sovereignty transformation and the relationship between TNCs.

**Keywords:** COVID-19 pandemic, national sovereignty, diversification, logistics.

### **Introduction**

The process of globalization, which started in the 20<sup>th</sup> century and continued in the 21<sup>st</sup>, is an objective process of increasing interaction among states, primarily in the economic sphere. Globalization has its advantages, for example, high technologies development, deepening specialization and broader international division of labor. It has led to the weakening of state sovereignty in the first decades of the 21st century. However, during the last two years we can trace the reverse trend towards the return of state identity, which was intensified with the COVID-19 pandemic. Many countries in the world are now concerned about the return of sovereignty.

The COVID-19 pandemic has further highlighted the importance of borders and the degree of state control over processes taking place on the state's territory. States decide when to interrupt flights, close factories and hairdressers, what time people can leave home and who gets the vaccine first. The main trend that everyone has encountered is the lack of clear and understandable rules of behavior in the logistics field because of quarantine measures. All other difficulties are only side effects.

## **COVID-19 and poorly diversified economies**

To a greater extent, the pandemic has affected tourist and oil-producing countries. First of all, the closure of borders has hit hard the economy of tourist states. In countries where tourism makes the main contribution to their GDP (small island-type tourist states in the Asian region, the Caribbean and Africa), the impact of reduced tourist flows on the economy is similar to a fall in oil prices for oil-producing countries such as Nigeria.

UNCTAD's experts estimated that the tourism industry has lost \$1.2 trillion, or 1.5% of global GDP in the first half of 2020. And at the end of 2020, the organization's experts predicted a loss of \$3.3 trillion, or 4.2% of global GDP [1].

According to the publication of the World Tourism Organization (UNWTO), due to restrictions in the second quarter of 2020 international tourist arrivals (trips) decreased worldwide by 95.2% compared to the second quarter of 2019 [7].

Another group is the oil-producing countries, primarily including OPEC and OPEC+ member countries. Since the start of the COVID-19 pandemic, the oil prices have fallen by around 30% [3, p. 286]. The global oil market has not seen such a fall since the end of the Gulf War in 1991.

The decline in oil prices is the main channel through which COVID-19 has an impact on oil-producing countries. Although there are other factors, COVID-19 appears to be the most important of these, as the pandemic has sharply reduced the demand for oil on a global scale and especially affected the Chinese economy due to closed borders and problems with oil transportation. China accounts for about 14% of global oil demand and over 75% of oil demand growth [2, p. 5]. It has become a global supply chain hub in recent years, and any disruptions in its economy have a negative impact on the economies of other countries.

The negative impact of COVID-19 on oil brands is obvious. For instance, the price of Brent crude fell from \$68.60 a barrel to \$21.44 a barrel between 30 December 2019 and 20 April 2020 [4]. This was unprecedented in decades. That's almost 70% of the value of a barrel of oil.

## **Crisis of solidarity in the European Union amid the pandemic**

The European Union is a unique formation of countries that have agreed to a strong supranational center, sacrificing part of their sovereignty. Unfortunately, crisis fund and the distribution of its subsidies is the reason for the division of member states into the traditional North-South groups.

There was the following plan: as a result of economic support from the EU budget, the states would support the introduction of the Rule of Law Mechanism. However, two states (Poland and Hungary) opposed the strengthening of the

supranational principle in exchange for economic assistance during the pandemic, considering it as an ultimatum [5]. Thus, Hungary and Poland vetoed Brussels plan, which prevented money injections from being made.

As a result, the pandemic began to shake the fragile consensus among EU states. The greatest economic losses in the context of the pandemic are recorded in the states of Southern Europe (Italy, Spain and Greece). This is due, among other things, to a high share of the tourism sector in the economies of these countries, as has already been mentioned. In addition, these countries traditionally depend on EU funds. Ultimately, this affects the prosperity of the whole European Union and individual member states.

### **Changes in logistics**

Before the pandemic began in 2020, the relationship between consumer goods MNCs and retailers was characterized by considerable tension. Polls show that the current crisis has changed attitudes towards partnership and cooperation, even previously tepid negative relations have quickly turned into partnerships, as both sides have gained a real sense of being “in the same boat”.

An example of such a partnership is the expansion of the strategic alliance between the international consulting and auditing firm Ernst & Young (EY) and the largest American consumer TNC Procter & Gamble (P&G), announced in August 2020 [6]. The alliance's stated goal is to transform and enhance the sustainability of P&G's supply chain during and after the COVID-19 pandemic.

Strategic alliances (partnerships) imply deeper and more stable relationships than market exchanges between independent parties, but they do not provide a complete merger. They involve mutual dependence and joint decision-making by two or more independent parties.

### **Conclusion**

Overall, global upheavals are still perceived by the global community as an excuse for isolation. Strengthening national sovereignty is a rational response of states to uncertainty. Unfortunately, this leads to economic backwardness. The outlined trends in logistics are relevant in the current geopolitical realities. Present global geopolitical challenges increase the effects of the pandemic and make oil-dependent countries suffer from the decisions of sovereign oil-producing states. A striking example is the European countries. This proves the existence of the problem of poor economic diversification. Problems in the field of logistics are also relevant for Russia, since interruptions in the supply of automobile parts, chemicals and others are a consequence of strengthening national sovereignty.

It can be concluded that the economic interdependence of global actors is now stronger than ever. This means that the fight against problems must be built on cooperation rather than disunity. Cooperation should be aimed at predicting such global catastrophes in order to avoid a new strengthening of national sovereignty. Areas for cooperation may not be obvious at first glance, as is the case with conflicting TNCs that unite for common benefit. At the same time, the external image of cohesion as in the European Union may not reflect the real situation and may weaken should there be an unexpected threat. Now economic interdependence should be considered not as a reason to separation and sanctions policy, but as a push to interaction and negotiations.

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# RUSSIA'S DEVELOPMENT STRATEGIES: CRITICAL QUESTIONS TO DEBATE ON

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## DE-DOLLARIZATION AS A WAY TO STABILIZE THE RUSSIAN ECONOMY

**Abstract.** The US dollar currently occupies the top position among all other world currencies but every stable tradition comes to an end sooner or later. The state of affairs in the international financial field is conducive to the revision of the world monetary system and the displacement of the dollar from the leader's position. In this report, the author analyzes the prospects for the process of de-dollarization in the Russian policy and ways to reduce the share of dollars in financial transactions with partner countries.

**Keywords:** de-dollarization, dollarization, world economy, IMF, currency, BRICS, Russia, foreign exchange.

### Introduction

On 15 March, 2022, the American daily business newspaper “The Wall Street Journal” published the news that Saudi Arabia considers accepting yuan instead of dollars for Chinese oil sales [11]. The main point of the news was that Saudi Arabia due to disagreements with the United States is becoming interested in reducing the share of transactions for the oil sales in dollars. It is worthy to mention that now more than 80% of the international transactions are carried out in US dollars.

### Dollarization and de-dollarization phenomenon

The situation that has appeared on the oil market describes the trend in the global political arena – “de-dollarization”. The concept itself is the opposite

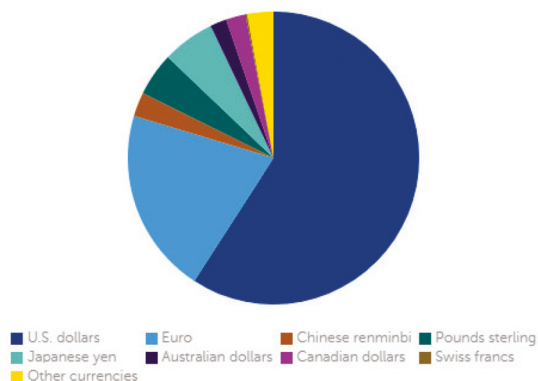
of “dollarization” phenomenon, which means US hegemony in the world economy as a result of the US dollar being the numeraire currency in international markets [2, p.1]. Thus, the reverse process of replacing the dollar in international settlements is de-dollarization.

Saudi Arabia is not the only country that is beginning to take steps to resist the dominance of the US dollar in trade and finance, China and Russia also demonstrate their intention to change the current situation in the global monetary system. In addition, the US policy of freezing the foreign exchange reserves of The Central Bank of the Russian Federation increased tensions among other holders of international reserves in dollars. Such countries began to doubt the stability of their choice of holding reserves in dollars. How can they be sure that they won't be the next ones whose money will be blocked.

## History of the dollar

At present, the dollar is one of the 6 world's major currencies along with the euro, pound sterling, Swiss franc, Japanese yen and Chinese renminbi. This status indicates that most of international payments are made in these currencies and reserves of central banks of other countries are mainly accumulated in these 5 national currencies (excluding the Chinese yuan from the previous enumeration of currencies). According to the data published by the International Monetary Fund, more than half (59.15%) of the world reserves in the 3rd quarter of 2021 is in US dollars. It means that the dollar is the main reserve currency of the world. The share gap can be seen in Figure 1 that demonstrates World-allocated reserves by currency.

World - Allocated Reserves by Currency for 2021Q3



**Figure 1.** World-Allocated reserves by Currency  
*Source:* International Monetary Fund [web-site].



This dollar leadership has been achieved as a result of the consequences of World War II. In 1943, after the Battle of Stalingrad, when it became clear that the war was nearing its end, the issue of economic recovery after the war appeared. In 1944 an international conference took place in Bretton Woods, New Hampshire (USA). The participants of this conference created the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD/World Bank). [3, p.5].

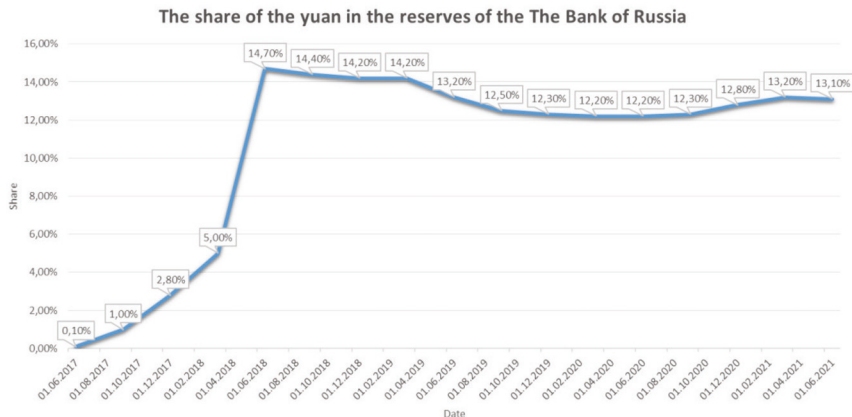
After World War II, a new international monetary system was created with the support of the United States, as the rest of the developed countries were destroyed. The Bretton-Woods accord restarted global trade and growth by making the U. S. Dollar the first official universal currency with respect to which all other currencies fixed their exchange rates [4, p.97]. This led to the fact that the machinery, equipment and all other things needed for restoration of cities were paid for in dollars. These actions were part of the Marshall Plan, which helped countries not only to recover and develop, but also to strengthen the position of the dollar. And since everyone needed dollars to make purchases from the United States, then trade between other countries was also carried out using the dollar. This christens the United States as the premier international monetary authority that regulates and dictates the flows of international financial commitments for global economic activity [2, p.1]. Everyone starts to be pegged to the dollar, all settlements and transactions take place through the USA.

Not everything went as smoothly as the United States planned, three dollar crises exerted an important impact on the evolution and disintegration of the Bretton Woods system [5, p.22], the Jamaican system replaced it in the seventies of the 20th century. However, the dollar still retained the status of the world reserve currency, and it has not lost it even after almost 51 years.

## **De-dollarization in Russia**

The relevant topic of de-dollarization does not lose its importance in relation to Russia. In Russia, the decline in the share of the dollar in international settlements began in 2014, when it was announced that Russia could be disconnected from Swift. The Bank of Russia has been consistently reducing the US dollar share in its reserves. For comparison, in June 2013, the dollar share in foreign currency assets was for 45.7%, but in June 2021 achieved only 16.4%.

The situation with the yuan is completely different. In 2017, the share of the yuan in the reserves of the Bank of Russia was only 0.1%, in June 2018 there was a noticeable increase in the share of the yuan in the reserves, it reached 14.7%, at the same time there was a noticeable decrease in the share of the dollar. It means that Russia's focus shifted from the dollar to the yuan, which continues to be stably in the reserves of the Central Bank of the Russian Federation, what we can clearly see in Figure 2.



**Figure 2.** The share of the yuan in the Bank of Russia reserves.

*Source:* author's calculation based on Bank of Russia data

In addition to changing the policy regarding reserves, on March 23, Russian leader Vladimir Putin announced that Russia would require countries regarded by the Kremlin as “unfriendly” to pay for oil and gas imports in rubles rather than in Western currencies [12]. This step could potentially lead to the fact that gas buyers will have to buy rubles in order to pay and also keep some balances on the accounts of the Russian banks.

For non-U. S. economies, broad use of the currency in reserves and in international transactions is typically associated with greater sensitivity of trade, inflation, and asset values to international movements in the value of the dollar [6, p.7]. More and more countries are stressed by the fact that only the US are allowed to emit dollars and can simply print money to get benefits. According to FRED, on February 25, 2020, total assets of the USA amounted to \$ 4,158,637 million, and on March 14, 2022, they were \$8,954,306 million [10]. The number of dollars doubled in two years, which cannot but cause tension for the rest of the world.

## BRICS as a de-dollarization coalition

In order to get away from the dollar, a certain country needs to be able not only to conclude the entire production cycle exclusively at home, but also to have its own resources, equipment in order not to depend on import, which will obviously contain a dollar component. Now the implementation of the de-dollarization is a very big challenge, but with the cooperation of several large countries, this plan may be implemented.

Russia has been actively promoting the idea of de-dollarization through BRICS, and its primary motivation for doing so is its geopolitical rivalry with

the United States [1, p.25]. Therefore, closer cooperation of the BRICS countries on currency issues would be an opportunity to implement ideas to stop dollar leadership. For example, the NDB can become a significant structural complement to the existing economic system and give developing countries an additional opportunity to use national currencies instead of using dollars. As the main financial institutions (the World Bank and the International Monetary Fund) are completely subordinated to the US dollar, which definitely again strengthens dollar influence.

Despite this, overall, it is noteworthy to mention that Russia's inter-BRICS trade is mostly settled in dollars and euros, and not in rubles or any other BRICS currency, which indicates a gap between the choice of the settlement currency by Russian traders and BRICS' de-dollarization priorities [7, p.58]. However, given the current state of affairs, there is hope that the financial system will be changed by joint efforts.

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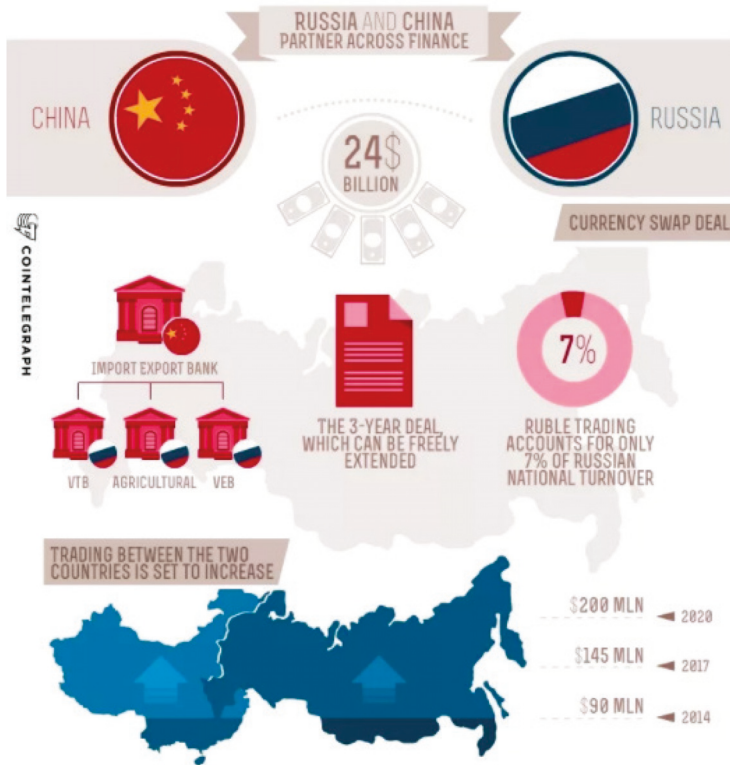
## **FUTURE-ORIENTED FINANCIAL SYSTEM OR UNREALISTIC ATTEMPT OF ROUBLE SUPPORT: RUSSIAN MONETARY DILEMMA**

**Abstract:** The topic of the national currency strengthening has become relevant due to the major political changes that happened in February of 2022 and innovations both in the field of the world economy and national economies of countries. The concept of modern policy is to a large extent currently defined by several main trends: ground-breaking ideas and striving for stability as well as the desire to maintain own positions by means of unexpected approaches. The article presents the analysis of possible unified financial system for China and Russia, highlights the progressive thoughts of economists and assesses the prospects.

**Keywords:** national currency, «ruan», cooperation, global economy, destabilization.

Currently, the Russian Federation is going through a complicated period of economic downturn. At this particular moment our country is setting in place the policy to necessary strong national currency appreciation in conjunction with the aim of safeguarding stability for many sectors of the national economy and first and foremost — the foreign trade. Our modern world is unimaginable without internationalization and expansion of frontiers for entering new markets, however, global economy in many aspects is vulnerable to actions on the political arena. Our modern world cannot dispense with internationalization. It leads to various forms of cooperation or hostility. The question of The EAEU and China's intension to set up an independent international financial system has aroused heated debates recently. This suggestion was touched upon during the videoconference «Global transformations: Challenges and solutions» dedicated to the transition to a new stage of monetary, financial and economic engagement of several countries [3]. It is worthwhile to examine what stands behind it.

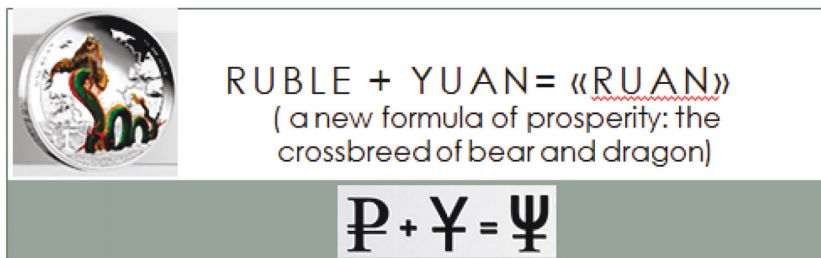
China is a long-standing partner for Russia (Figure 1). For instance, the volume of Russian-Chinese trade had reached \$200 billion by 2020 [5]. Actually, the Celestial Empire is not only the essential “factory shop”, but also the most crucial logistics hub of the planet. Destabilization in the external issues and the fear of losing leadership positions require from it decisive actions connected with some kind of collaboration.



**Figure 1.** Cooperation between Russia and China  
*Source:* Countelegraph (Digital resource)

The Ukrainian crisis and Western attempts to impose an embargo on Russia have further accelerated the dynamics associated with the flight from the US currency. The essence of unification consists in the fact that the duties which each country receives are should be split in a certain proportion, which is fixed by the treaty of the EAEU and, accordingly, fall into the budgets of the corresponding countries [6]. Previously, all this took place on the basis of foreign currency, and now there is the idea of a phased transition to settlements in national currencies to strengthen its exchange rate. The working title of the new proposed unit of account is “energy-backed currency” [6]. The major factor in its cost is not the produced energy, but the consumed energy, insomuch as only the binding of payment instruments to the cost of expended energy provides an insight into negative features of feedback, plays the role of an indicator for economic processes and supports sustainable development [1]. At the same time, the volume of payment instruments’ emission correlates with the volume of energy resources

that were contributed to the economic system. The «ruan» (Figure 2), designed by China and Russia on the basis of an energy equivalent, will be supported by Russian energy resources and Chinese labor. All other states will be forced to purchase «ruan» to cooperate with the EAEU or China. The value of the new currency will be calculated as an index of the national currencies of the participating countries and commodity prices of the market [3].



**Figure 2.** The concept of «ruan»

*Source:* compiled by the author

Many Russian experts and analysts have already enthusiastically responded to the above-mentioned idea and present it in pathetic tones, foreshadowing the imminent “end of the dollar era.” Meanwhile, if things are really going in this direction, and Russia, against the background of unprecedented sanctions that have fallen on it, is ready to throw itself into the arms of China, this cannot but raise a number of serious questions. The country that is on the 11th place in the world in nominal GDP — 1.483 trillion dollars (according to the World Bank for 2020) that is going to create a common currency with an economic superpower that occupies the second place in this ranking with a nominal GDP of ten times larger (14.723 trillion dollars), should be ready for the particular costs [2]. At first, we should notice fears that China, which “does not do anything without a purpose” [4], will play by its own rules, so that as a result the common currency will jeopardize not only the economic, but even the political sovereignty of Russia. In this situation it is extremely difficult to count on equality especially considering the entrenched culture type of the countries’ cooperation behavior. Therefore, the unified currency of China and the EAEU (or Russia) is not the same as the unified European currency. The creation of a common means of payment, in principle, implies a completely different level of economic and political integration than the one which is currently between the Russian Federation and the PRC.

Actually, Russia in the conditions of freezing euro reserves needs to develop not just a new settlement system, but a new currency that would be applicable both for trading and for reserving. The solution will lead to benefits if such a currency

is based on crypto technology and has an emission limit. The collapse of the ruble exchange rate in many respects is connected with the work and policy of the Central Bank that did not buy gold mined in Russia, and did not increase the share of gold in the reserves, although this is the only reliable currency that is not vulnerable to any sanctions, and the presence of which allows trading in the most critical situation [7]. Until recently, it has held Russian reserves in securities denominated in dollars, euros and pounds, without withdrawing them. Moreover, the Central Bank intensified the panic by raising the rate to 20% [7]. If there were more deposits of gold, we could create a reserve currency thanks to it. Furthermore, in this possible case one could speak about a reserve currency based on the blockchain. However, now we have what we have.

In conclusion, it should be said that the implementation of this project by Russia and China could lead to significant changes in the global economic situation. It is difficult to say exactly what consequences of the latest global political events we will go through. Only time will show.

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## **THE EMPLOYMENT PROBLEM OF RUSSIAN CITIZENS UNDER WESTERN RESTRICTIONS**

**Abstract.** The purpose of this report is to identify the impact of Western restrictions on employment in the Russian Federation. The analysis is based on the methods of empirical and theoretical research. The author analyzes the policy of foreign companies regarding employees in the Russian market, the impact of these actions on various groups of people. The author also describes measures to support the labor market on behalf of the Russian state.

**Keywords:** restrictions, complete or partial suspension, labor benefits, subsidy, temporary work, public work, retraining programs, IT-sector.

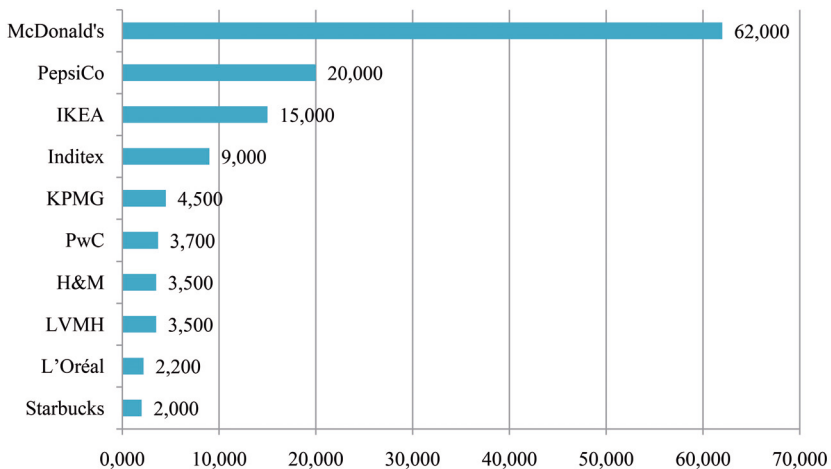
It seems relevant to start this article with the analysis of the play on words that is presented in the title of the paper and requires special attention. We are all used to the fact that economic limitations imposed by various states against a particular country are called sanctions. However, recently another word has actively entered the speech, and it immediately attracted the attention of the public. Under this new atypical and striking word, the author means the term restriction. Why did officials and journalists replace sanctions with restrictions? What are the reasons for such changes in speech? An explanation for these questions can be found in the official commentary of Dmitry Peskov, the Press Secretary of the President of the Russian Federation. The spokesman explained that the sanctions should be consistent with international law. He added that Russia does not recognize the unilateral restrictions imposed against it as legitimate sanctions in the current situation and considers them illegal. The official representative of the Kremlin suggested using the most appropriate word for the new sanctions, calling them directly restrictions [1, pp. 1-2]. Thus, using the word sanction, which is already familiar to the general public, it is necessary to understand what basis the recent actions of some states on the world stage actually have.

The author offers to turn to a direct analysis of the impact of Western sanctions on the employment of Russian citizens. To begin with, it is necessary to examine the overall picture of what is happening. A large number of foreign companies have announced a complete or partial suspension of activities on the Russian



market since the beginning of Russia's military operation in Ukraine [2, pp. 1-2]. Based on 25 March 2022 data, the list includes companies from such countries as: UK, USA, Sweden, Germany, Spain, France, Italy, Japan, Denmark, the Netherlands, Switzerland, Ireland, Finland, Singapore, South Korea, Czech Republic, Ukraine, Brazil, Austria, Canada, Australia. It is important to note that restrictions began to operate in many sectors of the economy and spheres of people's life. Thus, the companies that announced their withdrawal from the Russian market operated in such areas as: clothing, footwear, accessories; food and alcohol; products for children; medicines and dietary supplements; banks and payment systems; online services; games and software; sporting goods; household appliances and electronics; cars and auto parts; aircraft; special equipment; watches and jewelry; goods for pets; cosmetics and perfumery; cafes and restaurants; household chemicals; film distribution; building materials, furniture, household goods [3, pp. 3-6].

Undoubtedly the statements of large foreign companies and holdings about their decision to suspend work in Russia for an indefinite period worried the employees. Moreover, this fact marked the beginning of Russian government active work to address socially and economically important issues in the field of employment. Figure 1 presents data from Statista, a large German statistical company specializing in market and consumer data. It can be concluded that ten top foreign companies (according to the agency) account for more than 120,000 jobs in Russia [4, pp. 2-5].



**Figure 1.** Russian employees of foreign companies that have suspended operations in Russia as of 9 March 2022 (\*data for KPMG include Belarusian employees)

*Source:* <https://vc.ru/offline/377969-infografika-skolko-chelovek-rabotaet-v-mcdonald-s-ikea-i-drugih-inostrannyh-kompaniyah-ostanovivshih-rabotu-v-rossii>.

The departure of such companies from Russia as McDonald's, PepsiCo, Coca-Cola, Inditex, etc., may lead to the reduction of many jobs. However, it is worth paying special attention to the fact that at present most foreign companies continue to pay salaries to employees and express a desire to return to the Russian market. Inditex Group CEO (brands Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho) Oscar Garcia Maceiras said that the above stores will return to Russia when given the opportunity [5, pp. 1-4]. This position is shared by many other companies representing countries that have imposed sanctions against Russia.

For instance, the Swedish retailer H&M Group emphasized that their main priority is to support colleagues and organize a close dialogue with the Russian team. The press service assured that until another decision is made, the company pays its Russian colleagues a full salary in accordance with the contract. The Swedish furniture concern IKEA has chosen the same path. Konstantin Tyutrin, spokesman for IKEA Russia, explained that all 15,000 employees will receive a full salary and enjoy all benefits for three months. The American corporation McDonald's has suspended serving guests in its branded cafes, but the company's office continued to work as before. Now the company continues to support employees and pay wages and salaries, and also guarantees the fulfillment of its obligations to suppliers and partners. In addition, the German company Volkswagen (more than 4,000 employees in Russia) also noted that all affected employees in Russia will receive short-term labor benefits from Volkswagen [6, pp. 5-6].

Therefore, based on the above facts, we can draw a conclusion that foreign companies do not intend to immediately burn bridges and leave the Russian market completely and irrevocably. They continue to fulfill their obligations to employees and partners. Nevertheless, the current situation puts a lot of pressure on the psychological state of Russian citizens and, unfortunately, poses a threat of increasing unemployment in the near future. That is why the government of the Russian Federation quickly analyzed the situation on the labor market, identified the threats and advantages of the withdrawal of foreign companies from the domestic market, formulated and put into effect a set of measures aimed at protecting the labor market in Russia [7, pp. 3-4].

The Government of the Russian Federation adopted Decree No. 409 dated 18 March 2022 "On the implementation in 2022 of certain measures aimed at reducing tensions in the labor market" in order to document all proposals. The author proposes to consider the main points of this Decree. What types of support does the state offer to employees and domestic companies that find themselves in a difficult economic situation?

Firstly, enterprises and companies that plan to return to normal operation and want to keep their workforce will be able to receive a subsidy for the retraining of their employees. The cost of training will be about 60,000 rubles per employee.

Secondly, the state will finance temporary work for employees in the amount of one minimum wage per month (with social contributions) if the company has taken a break, for example, to install new equipment or set up supply chains. Entrepreneurs can receive reimbursement for the costs of organizing a temporary workplace – up to 10,000 rubles for the entire period.

Thirdly, a program of paid public works is being launched for citizens, including unemployed citizens, registered with the employment service in order to find suitable work. Thanks to this measure, program participants will be able to receive wages in addition to unemployment benefits during the job search period. Employers who organize public works (socially useful types of work that do not require qualifications: pruning trees, painting borders, forming flower beds, etc.) will be able to receive compensation for wage costs.

Besides, the area of retraining programs will be expanded. Due to this fact, both unemployed citizens and employees under threat of dismissal will now be able to receive new knowledge within the framework of the national project called “Demography”. A person needs to apply for the Unified digital platform in the field of employment and labor relations “Work in Russia” and undergo career guidance in order to participate in the retraining program. It logically follows from this that not only the unemployed, but also those who are at risk of being fired will be able to apply to employment services in 2022 [8, pp. 1-3].

It is necessary to separately focus on the policy of the state towards young people. Employers who hire people under the age of 30 in 2022 will receive state support under the recruitment subsidy program. The decree was signed by the Prime Minister of the Russian Federation.

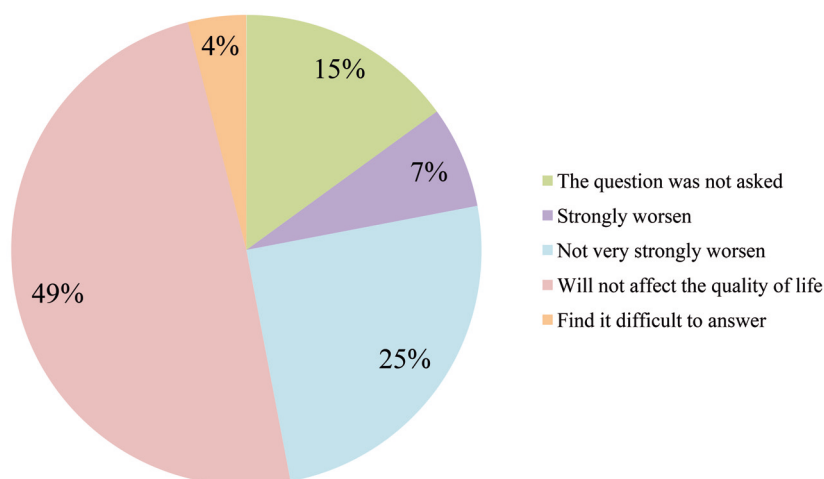
State support will be available for the employment of certain categories of citizens under the age of 30 years. Among them are graduates of colleges and universities without work experience, young people without secondary vocational or higher education, disabled people, orphans and parents of minor children.

The subsidy will be equal to three minimum wages, increased by the district coefficient, the amount of insurance premiums and the number of employed. The subsidy will be paid after the employee has worked one, three and six months. In order to receive state support, the employer needs to contact the employment center to select specialists for existing vacancies. After these steps, the employer needs to apply to the Social Insurance Fund, which deals with the distribution and payment of subsidies [9, pp. 7-8].

Moreover, every year Russian state will allocate funds from the federal budget to issue grants to support promising developments of domestic IT-companies. The procedure for procurement of crucial IT-developments for state and municipal needs will be simplified. This way, the government organizes a thorough support for IT-specialists providing employees with various types of benefits. It is a well-known fact that the IT-sector is one of the most important

and perspective areas of activity in the whole world, therefore it receives special attention from the state [10, pp. 1-2].

It is noteworthy that the Russians are quite optimistic about the fundamental changes taking place in Russia. Figure 2 shows the results generated by the Public Opinion Foundation (FOM) when citizens answered the question: “Many foreign companies have now stopped their work in Russia. Do you think it will worsen the quality of your life or not affect it? And if it worsens, is it strong or not very strong?” As we can see, the majority of Russians answered that the current situation would either not affect their quality of life at all, or would have an insignificant effect [11, pp. 3-4].



**Figure 2.** Citizens' opinion regarding the impact of the suspension of the foreign companies' activities on their quality of life

Source: [https://fom.ru/Ekonomika/14703?utm\\_source=yxnews&utm\\_medium=desktop](https://fom.ru/Ekonomika/14703?utm_source=yxnews&utm_medium=desktop).

Summing up, we can conclude that the Russian government is taking broad comprehensive measures to effectively maintain the labor sphere in the country. The anxiety of citizens and the uncertain future are opposed by reasonable calm measures of the state, which, with the teamwork of employees, companies and the state itself, will be able to improve the situation on the labor market in Russia and prevent a high level of unemployment in the country.

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## **PUBLIC-PRIVATE PARTNERSHIP IN HEALTHCARE: INTERNATIONAL AND RUSSIAN EXPERIENCE**

**Abstract:** The aim of the research is to analyze and implement the world and Russian experience of public-private partnership (PPP) in medical services. We try to convey the need for and urgency of making significant investments in healthcare funded by both public and private sources, since attracting private investors to healthcare reduces the burden on the state budget. We also provide a comparative analysis of the advantages and disadvantages of the infrastructure, service, and integrated models currently used and determined by the nature of the medical services provided in various countries. We draw on the techniques and data of the USA, UK, and Italy with the view of applying the best PPP practices in Russia. Our study suggests recommendations on methodologies for the assessment of healthcare projects' effectiveness and risk avoidance.

**Keywords:** public-private partnership (PPP), healthcare, global experience of PPP projects, investors, risks.

### **Introduction**

The dynamic development of healthcare, the drafting of medical care regulation and organization, the institutional framework improvement and interaction with various entities, determines the importance and significance of public-private partnership (hereinafter referred to as PPP) in healthcare.

The relevance and significance of addressing the topic of international and Russian PPP experience in healthcare is due to the following reasons. Despite the fact that healthcare belongs to the social sphere and is regulated by the state on the basis of budgetary funds, it requires constant injections of financial resources. This is most relevant in a constantly changing environment. Health care relationships are multidimensional. In recent years, there have been constant changes; the long-existing theoretical and practical approaches to the development of healthcare are being revised.

With the change and development of society, the issue of PPP as one of the effective institutions is also being updated. The practice of functioning of the

PPP institute is firmly entrenched in all spheres of public life, and currently occupies a stable position as one of the main mechanisms for the modernization of healthcare. The healthcare system of the XXI century dictates new conditions for understanding the organization and solving existing problems.

The aim of the article is to evaluate the international and Russian experience of PPP in the field of healthcare. The author identifies the following tasks: (1) to study the features of PPP in healthcare in foreign countries; (2) to analyze PPP Russia's experience in healthcare.

Research topics related to PPP have attracted great interest from the scientific community, as evidenced by research and scientific publications of recent decades. Most publications on PPP are related to the analysis of problems in the transportation sector, housing and communal services, and the social sphere, primarily in healthcare. This is confirmed by a large number of publications on this topic indexed in Scopus and other international databases.

More than half of these studies were conducted by researchers from China, the USA, and the UK. The Russian Federation is among the leading countries in terms of the number of publications on this topic; however, it lags far behind. This is primarily due to the fact that few PPP projects are currently performing in Russia and there is a lack of data and experience in this field.

## **Foreign experience in PPP in healthcare**

Healthcare systems around the world face a number of pressing challenges, including increasing patient treatment costs. Innovative project management mechanisms, such as PPP in healthcare, can be adopted to solve these problems. Public-private partnership is a system of relations between the state and business within the framework of the development of a specific area, in this case healthcare. However, the specific features and experiences of performing of PPP projects may vary between countries.

For example, the UK is a world leader in the field of PPP in the healthcare sector due to its best public administration and business skills. The Government of the United Kingdom has successfully implemented more than 130 projects in the field of healthcare with more than 20 years of experience.

Besides, the UK Government has successfully implemented several PPP programs for various medical institutions. Since 1991, the country has introduced procurement systems in the field of healthcare which are based on the public-private partnership grounds [8]. In 1996, the first contract was signed for the design, construction, financing and operation of a 1,000-bed hospital in Norwich. This project was completed in 2001. In 2006, two contracts for hospitals "St. Bartholomew's Hospital" and "The Royal London Hospital" began to be implemented within the framework of PPP in healthcare. The deadline for the completion of the concession

agreement is valid until 2048. To date, the cost of the project is 1.1 billion pounds [6].

In addition to these major PPP projects, it is also worth pointing out the implementation of the project of the Acorn consortium, which includes John Laing, Laing O'Rourke and Interserve, for the construction of a new Alder Hey children's hospital in Liverpool. The new hospital worth 167 million pounds. On an area of 51,000 sq.m., with 270 beds and 16 modern operating rooms [6].

Canada, Ireland, Portugal, Australia, Japan and Sweden are countries which develop their own PPP models using British experience. One of the key arguments in favor of using PPP in healthcare is the need for higher quality medical care. Therefore, a PPP can include not only the construction and reconstruction of buildings, but also the provision of medical services, the latter may include services related to the prevention of diseases, maternal and child health, education in the field of public medicine, etc.

The European Union has classified PPPs in healthcare using eight different types of models, ranging from a simple placement model; software management and delivery model, installation and maintenance model in medical organizations (most private financial initiatives are included in the placement model) to the provision of a full package of services at all levels of patient care.

Italy, like many other countries, adopted the Anglo-Saxon model of design, construction, financing and support of PPP projects more than 40 years ago. Italy's experience in the field of PPP projects is primarily aimed at improving the economic efficiency of public spending. Investment in healthcare infrastructure is a key strategic issue in Italy as an aging population faces severe budget constraints due to spending cuts following the 2008 financial crisis. Today, PPP projects are mainly carried out through DBF or DBFO concession agreements (Design, Construction, Financing and Operation or Maintenance). For example, four hospitals were built on the basis of PPP in the northern part of Italy [7].

Thus, PPP has been implemented in foreign countries for a long time, which allows solving urgent problems in a particular country. An analysis of various projects implemented in foreign countries shows that PPP is aimed at various areas of healthcare, ranging from the construction and reconstruction of buildings of medical institutions and ending with the fight against specific types of diseases, the introduction of advanced electronic technologies in healthcare.

## **Features of public-private partnership in healthcare in the Russian Federation**

As world practice shows, a joint partnership between the state and business is more effective than the cases where the healthcare system is managed exclusively under



the jurisdiction of the state. In Russia, the integration of private investors into public healthcare started in 2013 [1].

The legislation provides two main models of interaction between the state and private business: (1) a concession agreement; (2) an agreement on public-private (municipal-private) partnership ("PPP agreement"). The peculiarity of PPP in healthcare is the implementation of the project decision by the public authorities of the subject of the Russian Federation [3]. This decision is made taking into account the long-term planning of the development of the network of medical organizations and the calculation of the regulatory need for health facilities based on the existing regional infrastructure, considering the permissible level of placement of facilities.

As of February 2020, 21 concession projects with a total cost of 28.3 billion rubles were implemented in Russia in the healthcare sector. [2].

In the Russian Federation, the state is the founder and owner of 68% of medical infrastructure (5724 out of 8419 medical organizations of various levels and other organizations licensed for medical activity) [4]. In addition, it is legally stipulated that medical organizations of any form of ownership and departmental affiliation can participate in the Program of state guarantees.

State strategic planning based on programmatic methods of organization and management of medical care used in Russia allows to clearly define the goals and objectives of healthcare development allocate finances and determine the main results. Analysis of programs within the framework of PPP implementation shows, that both financing has been growing as well as the possibilities of providing various types of assistance, including specialized assistance, have been expanding.

According to the ROSINFRA information platform, the Russian Federation is actively developing PPP in the field of healthcare in such regions as: Novosibirsk, Leningrad, Irkutsk, Samara, Chelyabinsk, Belgorod, Magadan, Sakhalin, Volgograd, Amur, Sverdlovsk and Ryazan regions. Projects are also being implemented in the Republics of Tatarstan and Yakutia, Stavropol and Perm Territories, in the cities of Moscow and St. Petersburg.

In the healthcare industry, the largest project in 2021 is a concession agreement for the construction of five specialized and primary medical care facilities in Magadan (with the total cost of 31.5 billion rubles). This project was the first in the Far East to be implemented using the Far Eastern concession mechanism and received funding in the amount of more than 11 billion rubles from the federal budget [9].

The second largest investment project of the market is a concession to create a radiological building of the East Siberian Oncological Dispensary in Irkutsk. The agreement was signed between the State Corporation Rosatom Healthcare and the government of the Irkutsk Region in 2018. The estimated term will be 15 years. Capital expenditures for the project will amount to about 5.1 billion rubles,

of which 2.4 billion rubles - from the regional budget, another 2.7 billion rubles - private investment [9].

In the Russian Federation, the mechanisms of public-private partnership are being improved every year and the legislative framework is being finalized to maximize efficiency and quality in this area. So, on February 25, 2022, the government commission approved a draft law on concessions and PPPs, which should help to attract up to 1 trillion rubles for development of additional infrastructure. The bill proposes the following transformation: firstly, measures to stimulate private initiative will be modified, secondly, changes have been made to improve competitive procedures and, thirdly, the forms of financial participation of the state in PPP projects will be determined. All these changes will not only increase the growth of investments, but also achieve an increase in the entire PPP market, eliminate certain gaps in existing legislation. Therefore, it can be concluded that the adopted bill will create favorable conditions for the development of investment activities in the healthcare sector. In the future the needs for attracting investments in healthcare will only grow [10].

Thus, for the development of PPP in Russian healthcare, it is possible to use the positive experience of foreign countries, discussed in the article, taking actions for international cooperation and exchange of information and medical personnel.

The author identified several gaps in the development of public-private partnership projects in Russia. They include (1) insufficient and not-developed regulation in PPP; (2) the lack of stable and clear “rules of the game” for private investors; (3) the limited incentives for private investors to take additional risks; or (4) Unwillingness of business to take responsibility for currency and interest rate risk. One of the most important risks is the threat of non-achievement the required return of investments due to (1) higher than expected cost capital; (2) unrealistic assumptions in project plans with regards to state tariffs and costs in compulsory health insurance (CHI); (3) extension of actual project timing compared to the plans; (4) operating cost overrun/other inefficiencies in project management; and (5) the government policy toward tariffs (untimely or adverse changes in CHI tariffs). There are also other risks such as technological, ESG, political obstacles. In addition, the analysis showed that the application of international experience in the Russian Federation is not always acceptable, since more attention needs to be paid to the comparability of Russian methodologies and legislation in the field of PPP projects for possible improvement.

## Conclusion

In world practice, there is quite a lot of experience in implementing PPP projects in the medical service market, unique models and mechanisms for their implementation have been developed and tested, which can be represented with

a certain degree of conditionality in the form of business models: infrastructure, medical and service services model, integrated model. Each of these models, due to its versatility, flexibility, and the possibility of transformation based on the specifics of national legislation, contract terms, and tasks to be solved, can be used in any country.

The international experience of using Public-Private Partnership proved to be an efficient mechanism of attracting investments and technologies to develop of infrastructure. Despite many similarities, in most countries Public-Private Partnership has its own path of development reflecting the countries socioeconomic, geographic characteristics and climatic conditions.

The major obstacles to Public-Private Partnership Development in Russian Federation are: (1) elevated environment risks; (2) lack of regulation; (3) undeveloped project management and strategic planning. To ensure the effective implementation of public-private partnership projects, it is necessary to create clear, predictable and sustainable “rules of the game” (i.e. legislative regulation of PPP), a system of interaction between the state and business as well as to solve issues with project management.

Analysis of foreign experience in the use of various PPP models has shown both positive and negative examples that can be used to improve Russian practice. This concerns both legislative regulation and issues related to strategic planning, project preparation, including evaluation of their effectiveness.

Currently, medicine needs a public-private partnership, because the state alone cannot cope with its financing. First of all, this is due to the increasing dissonance between the possibilities of public financing and rapidly developing technologies and in the medical field and growth of their cost. The state and the medical business have begun to actively cooperate, which brings benefits, and first of all for citizens, because as a result of such interaction, the quality of medical services increases.

The results of the study make it possible to identify key areas for improving economic policy aimed at increasing the attractiveness of PPP for private investors and increasing its economic efficiency in the healthcare sector.

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## **RUSSIA'S DEVELOPMENT STRATEGIES: CRITICAL QUESTIONS TO DEBATE ON**

**Abstract.** The article considers fundamental sources of economic growth (geographical location, human capital, institutions and culture). The author carries out a brief analysis for each type of economic interests and sets priorities to eliminate inequality in Russian society. The aim of this work is to provide a detailed coverage of the Russian socio-economic status. The author analyzes the prospects of decreasing inequality and development of such aspect as human capital, offers the ways to make Russian higher education globally competitive and efficient.

**Keywords.** economic growth, socio-economic status, inequality, higher education.

### **Introduction**

Economics is the science of achieving prosperity and well-being, building a system in which everyone can realize themselves, realize their dreams, achieve the standard of living they would like. People are engaged in trying to achieve happiness, well-being, life satisfaction; we must understand that economic prosperity, economic income are key components of this path to life satisfaction.

In fact, progress is taking place in the world as a whole, including Russia. Part of this progress is an increase in income, an increase in living standards, and a reduction in poverty. Let us compare how many people can read and write now and how many people could read and write half a century ago. How many people nowadays have such a standard of living that provides minimal sustenance, for example, it is two dollars a day in today's dollars. If we convert these dollars into dollars of the 80th, it turns out that in those years almost half of the world's population lived less than on two dollars a day. At present this value is approximately 10% of the population - over the past 40 years the world has come a long way in terms of reducing global poverty.

### **Fundamentals of economic development**

At some time or another people ask *what should be done by a country to have a stable economy so that incomes grow and life becomes better and if it is connected*

*in any way with politics.* This all-important query can be looked at in some ways. In general, according to Russian economist Sergey Guriev, there are several fundamental sources of economic growth. What are those sources? They are geographical location, human capital, institutions and culture [3].

**Proper geographical location** means that you have access to the sea, access to the market, you do not need to carry goods far, you have a good climate and you have natural resources. In fact, Russia has all those. To start with, Russia is located very close to rich markets, such as the European Union and Asia. Moreover, Russia is located between them and considering this fact, Russia could earn money on transport services. Secondly, Russia has a huge amount of natural resources, not only oil and gas, but also natural resources that will be needed in the “green” energy sector, metals that are needed for the production of batteries and accumulators. Russia also has opportunities for the production of wind and tidal energy, etc. Moreover, Russia has a huge amount of fertile land. If the right conditions are created, Russia might become a global agricultural exporter.

Another source is **human capital** which includes the level of education, though there are some problems with those in Russia. In fact, in developed countries attention is focused not on the general level of education in the country, but on the contribution of each individual. System of consumption and production that is based on intellectual capital is called **Knowledge Economy**. It is a term to describe societies which are economically and culturally characterized by a high degree of dependency on their potentials to create scientific and technological knowledge [5]. Knowledge is becoming a special good in the market and a product to merchandise. From an economic viewpoint, knowledge societies invest in education and training of people in order to build up resources of human capital which should enable them to fulfill expectations to perpetuate traditions and what is more important to use the knowledge to develop innovations. In order to distinguish differences in quality of knowledge and knowledge institutions there is a high interest in ranking educational efforts. Social status of individuals is strongly dependent on the degree of their educational achievement.

Russian universities compete with other universities of the world, but it is necessary to make a number of management decisions which would increase their competitiveness among the world's leading educational organizations. In modern conditions the social requirements to the professional education quality increase, learning technologies are progressively updated, the competition between universities becomes more intense. The challenges facing universities are multifaceted. Undoubtedly, one of the major challenges is considered to be a high-quality training of workforce that is able to solve professional tasks. That will help them to realize themselves in the profession and be competitive in the labor market. A graduate with a high level of training demanded on the labour market is an indicator of effective educational institutions.

We can distinguish the main management decisions taken by the state in enhancing competitiveness of Russian universities:

1. The policy of optimization of the network of educational institutions of higher education implemented by the Ministry of education and science of the Russian Federation;
2. The monitoring of the effectiveness of educational institutions, the aim of which is to develop statistics, analytical materials and indicators of their effectiveness for future decision making in relation to universities and their branches;
3. Implementation of the project “5-100” [6] (The task is to ensure the entrance of at least five Russian universities in the first hundred leading world universities according to the world ranking of universities) aimed to maximize competitive position of the group of leading Russian universities in the global market of educational services and research programs.

The next two sources are **institutions and culture**. Institutions should establish so-called “rules of the game”, they have to protect property rights, provide the existence of an independent and effective court, the protection of competition, the fight against corruption. This is what creates incentives for investment and economic growth. And last but not least is culture which, in turn, also represents the informal “rules of the game”, our internal attitudes, our moral values. Unfortunately, some of our cultural traits are distrust of each other, authorities and the laws, which will not lead us very far. But, on the other hand, there are values cultivated in Russian people, such as consideration for education, charity and the pursuit of justice.

### **Socio-economic inequality in the Russian society**

And people can ask: if the problem is so obvious, why are not the authorities taking steps to solve it? On the whole, the interests of individuals, society and the state are so diverse and, at the same time, they are *formulated by the elite* on the basis of their value preferences, so it is difficult to talk about the balance of interests.

In other words, a very important issue is the uneven distribution of income. It is only in the last couple of decades that economists have begun to think about the distribution of income, that not only the average GDP per capita is important, but also how it is distributed. In the end, the indicator of success is exactly what a person sees on their account. The European Bank for Reconstruction and Development says that in Russia, on average, income growth has been quite large over the past 25 years. But as it turned out, for most Russians, this income growth was relatively low. Moreover, in terms of GDP per capita, the income gap has decreased from the income of the developed countries, but this gain has gone to the top 20% of Russian society and for most Russians it has increased.

Reducing inequality is one of the common points of the Russian socio-economic agenda and is often tied in with the goal of alleviating poverty. However, bringing down the level of poverty does not automatically imply less inequality, although it can contribute to this by bridging the gap between the lower and lower-middle strata [2]. In fact, the Executive Order of the President of Russia "On National Goals and Strategic Objectives of the Russian Federation through 2024" (known as the "May Decrees") signed in 2018 aims to cut poverty in half, though the achievement of this aim is a topic for discussion. Therefore, the course of state socio-economic policy on increasing targeted social assistance that was chosen in recent years can help with reducing poverty, but does not fully correspond to the public demands on stabilizing the positions of the lower-middle and middle strata. Finding the balance between measures aimed at fighting poverty and those aimed at reducing inequalities (not only between the most disadvantaged section of the population and others) should be one of the challenges for the state.

In general, income inequality seems easier to measure and evaluate than the various types of inequalities of opportunities which, taken together, create the social space [1]. In Russia inequality is higher than in the European countries but lower than in the BRICS countries and the United States. According to The World Bank estimate (Poverty and Shared Prosperity: Taking on Inequality 2016), 29.7% of the country's total income in 2015 was held by ten percent of the wealthiest Russians (the top decile), placing Russia 22nd in the global inequality scale, alongside the Philippines, Uruguay, below Zambia, Brazil, Colombia and Chile, where more than 38% of the total income was owned by the top decile, but higher than Slovakia, Slovenia, Kosovo and Ukraine, where the top decile held less than 22% of the total income in each country [4].

Unfortunately, Russian political and economic system does not generate economic growth. Because there are no incentives for investors to invest in Russia. It is the country with cheap skilled labor, very cheap assets, Russian shares as twice cheaper than shares of the same companies in other countries with the same income level. The reason for this is that people do not invest, but take money out of Russian economy. People know that even if they invest money here, there is a great possibility of losing their business. That is why we do not see capital inflows, but capital outflows, and that is why there are low growth rates. Such an economic and political system is exactly in the interests of the ruling elite. It is built in such a way to protect the prosperity of this very specific group of people, and it is not built to create companies that provide jobs for educated people.

Thus, the development strategy in the sphere of financial security is to create a financial system that would meet the interests of every individual capable of providing a high level of investment activity and financial support to innovations. The strategy in the field of education and human capital development, according to the analysis, is to make a competitive and efficient higher education system



and to ensure its leading role in creating strong middle strata in Russia's society. Increasing the competitiveness of Russian universities in the international educational market not only enhances the attractiveness of the national education system, but also improves the country's position in the world community.

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# MANAGEMENT AND MARKETING: WORK AND EMPLOYMENT

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## THE IMPACT OF LARGE COMPANIES' TERMINATION OF ACTIVITIES ON THE ECONOMY AND EMPLOYMENT ON THE RUSSIAN MARKET

**Abstract.** The purpose of this report is to explore the impact of terminating large foreign companies' operations on the Russian market. The author considers the situation on the Russian labour market while international businesses were present on the market and after they left. The analysis is based on the methods of empirical and theoretical research. The study concludes with different opinions on the situation in Russia.

**Keywords:** multinational companies, expert opinion, economic vulnerability, employment situation, international businesses.

### Introduction

More than 400 foreign companies located in Russia, some of them having operated in Russia for decades, are divesting their offices or suspending their activities in the country. At the end of February, multinational companies were forced to revise their relationships with Russia. As a result, we could see long queues of Russian buyers who wanted to stock their favorite brands at home. Let's see whether the anxiety of the Russians is justified [1, p. 1].

Under investors' and consumers' pressure, many Western companies started closing stores and suspend sales in Russia. The table below shows some of the actions foreign businesses announced [2, pp. 3-5].

Table 1

**Actions of foreign firms in various industries**

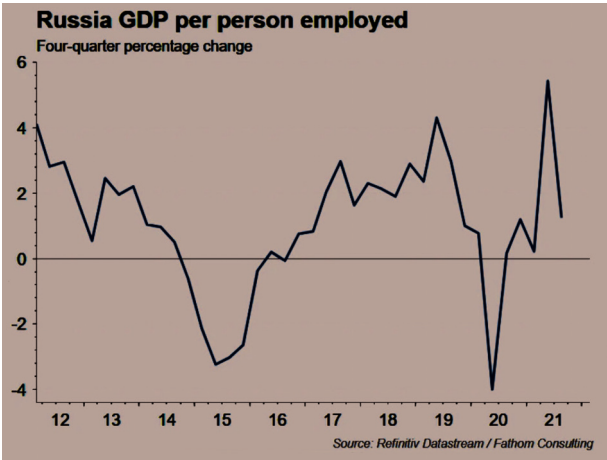
<b>Consumer goods and retail</b>	<ul style="list-style-type: none"> <li>• <u>Nestlé</u> suspended sales of “the vast majority” of its prewar volume of products in Russia.</li> <li>• Fast Retailing, the Japanese clothing company that operates <u>Uniqlo</u>, suspended its operations in Russia. The company came under criticism after its chief executive, Tadashi Yanai, told an interviewer that its stores would continue selling clothes in Russia.</li> <li>• <u>Unilever</u>, which owns brands like Dove and Sunsilk, suspended imports and exports.</li> <li>• <u>H&amp;M</u>, which had about 170 stores in Russia, paused sales, as Nike and Adidas did.</li> </ul>
<b>Energy</b>	<ul style="list-style-type: none"> <li>• <u>Shell</u> will exit its joint ventures with Gazprom, the Russian natural gas giant.</li> </ul>
<b>Finance</b>	<ul style="list-style-type: none"> <li>• <u>Mastercard</u> and <u>Visa</u> cards issued by Russian banks will not work in other countries, and cards issued elsewhere will not work for purchases in Russia.</li> </ul>
<b>Food</b>	<ul style="list-style-type: none"> <li>• Restaurant Brands International, which owns <u>Burger King</u>, is ending corporate support for roughly 800 locations operated by local franchisees in Russia.</li> <li>• <u>McDonald’s</u> was temporarily closing its nearly 850 locations in Russia and halting operations there.</li> <li>• <u>Starbucks</u> closed all of its locations in Russia.</li> <li>• <u>PepsiCo</u> stopped selling soda in Russia but would continue to produce dairy and baby food products there, calling it a “humanitarian” effort.</li> </ul>
<b>Media</b>	<ul style="list-style-type: none"> <li>• <u>Netflix</u> suspended its service and halted future projects in the country.</li> <li>• <u>The Walt Disney Company</u>, <u>Sony</u> and <u>Warner Bros.</u> paused the release of movies in Russia.</li> </ul>
<b>Tech</b>	<ul style="list-style-type: none"> <li>• <u>LG</u> Electronics suspended shipments of its products to Russia.</li> <li>• <u>Google</u> suspended advertising, including on its search and <u>YouTube</u> products.</li> <li>• <u>Uber</u> was trying to “accelerate” its divestment from the Russian internet company Yandex, which operates a ride-hailing service.</li> </ul>

Analysts expect even more companies to leave Russia. Russia is buckling under a raft of severe wide-ranging sanctions imposed by the U. S. and its allies. “Never before have we seen such a significant economy be subject to such comprehensive actions, and at the present pace, we’re seeing Russia well on its way to being spoken of in the same breath as Cuba and Iran,” said Daniel Tannebaum, the global head of sanctions at the consulting firm Oliver Wyman [3, p. 3]. However, is it really such a deplorable situation?

### Negative opinion of experts

Sanctions made it impossible for companies to do business in the world’s 12<sup>th</sup> largest economy and a major exporter of energy supplies. Besides many foreign companies got worried about their corporate image and they are not sure whether they should continue doing business in Russia.

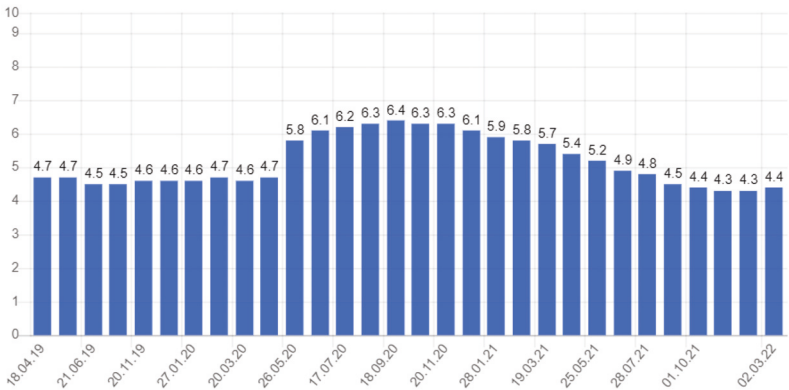
Sergei Guriev, professor of economics at France’s Sciences Po and former European Bank for Reconstruction and Development chief economist, pointed out that Russian nominal per capita GDP, double China’s in 2013, was now behind. “In 2013 Russia was a high-income country. Russia is now back to the middle-income status,” he said [4, pp. 3-7].



**Figure 1.** Russian GDP per person employed

Source: 4. <https://www.reuters.com/world/europe/russias-economic-defences-likely-crumble-over-time-under-sanctions-onslaught-2022-02-25/>

Unemployment Rate in Russia increased to 4.4 % in March 2022, with maximum rate of 14.1 % and minimum 4.3 % [5].



**Figure 2.** Unemployment Rate in Russia

Source: Exchange Portal. <https://take-profit.org/statistics/unemployment-rate/russia/>

“Russia will essentially be treated as a hostile state cut off from global flows, investment and other normal economic interactions that build living standards, incomes, productivity and company profitability,” Sergei Guriev states [4].

### **Positive opinion and explanation of employment situation**

Sebastian Shehadi, a political editor and senior editor at Investment Monitor, believes that hundreds of multinational companies have withdrawn from Russia but this impact on the country is far less economic than sociopolitical. At first glance, it may seem that this exodus is set to have a sweeping impact on the Russian economy. In the long and short term, however, this is very unlikely [6, pp. 1-7].

The financial impact of closing restaurants and stores in Russia is significant for companies. For example, Russia accounts for \$3.4 billion, or 4 percent, of PepsiCo’s annual revenue of \$79.4 billion. McDonald’s in the two countries (Russia and Ukraine) contributes 9%—around \$2 billion—of its annual revenue [7, pp. 1-4]. Adidas has already estimated losses from the suspension of activities in Russia - they could amount to € 250 million [8, p. 1]. Therefore, many brands do not plan to leave the market forever, but are looking for ways to solve the problem in order to reopen their stores in Russia as soon as possible. The majority of multinationals operating in Russia (such as Starbucks and McDonald’s, Zara) have continued to pay their employees and pay rent for now. Moreover, many retail outlets of large foreign companies operate on a franchise basis, so they continue to serve visitors. Domestic entrepreneurs who are not going to lose profits manage these establishments.

The withdrawal of foreign companies from the Russian market frees up niches that can be occupied by Russian companies. In addition, the country starts to support the development of domestic businesses even more actively. In Moscow Sergei Sobyenin introduced a new measure to support Russian fast food chains by giving grants to promising entrepreneurs. The President signed a law providing support measures in the economic and social spheres in order to stabilize the economic situation (providing credit holidays, changing the procedure to establish a living minimum and the minimum income) [9]. Now Russian companies have all the chances to make the statement and take leading positions in all spheres on the market.

### **Conclusion**

In the short term, our familiar world turned upside down. Many Russians are in a state of panic and disorientation, but many have finally decided to act.

Alena Vladimirkaya, one of the leading experts on the Russian labor market, says in an interview what the country can expect in May 2022:

1. Western companies will continue to massively leave the Russian market and reduce staff, but at the same time they will consider all possible ways of returning to the Russian market;
2. Foreign employees (Europeans and Americans) working in Russia will start to leave our country. This will open up opportunities for Russian specialists to take their places;
3. Western companies will terminate contracts with many Russians who work in Europe [10, pp. 1].

Currently, all forecasts are like a divination from coffee grounds — Russia has never been in such a situation. Therefore, what remains is to read expert articles, independently analyze the situation and draw our own conclusions, and also to believe that Russia will emerge from a possible crisis quickly and become stronger than it was before.

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## **SEARCH AND SELECTION IN MODERN COMPANIES**

**Abstract.** The purpose of this report is to provide a detailed overview of recruitment process. The analysis is based on the methods of empirical and theoretical research. The author analyzes the target recruitment process in individual companies.

**Keywords:** personnel, recruitment, interview, job offer, onboarding, brand of the company.

### **Introduction**

Search and selection of personnel is always an urgent issue for all companies. Companies are looking for employees with specific skills, knowledge, work experience, suitable for the corporate structure of the company. The question of personnel selection is interesting not only for companies, but also for people in search of work and employees. It is important for employees and job candidates to know what skills the company needs for a specific job. With this knowledge, people can improve themselves, pump their skills and become more valuable for the employer, move up the career ladder.

To begin with, it is necessary to examine what the search and selection of personnel is.

“Recruitment is the process of finding and engaging the people the organization needs. It is the process of generating a pool of qualified candidates for a job. Selection is a part of the recruitment process concerned with deciding which applicants or candidates should be appointed to the job” [1].

The reason for the emergence of vacancies in the organization is its development (growth, changes, reorganization, etc.) and the movement of personnel (internal movements and turnover) [2]. The purpose of recruiting is to provide the organization with the required number and quality of personnel in a timely manner [3]. From the point of view of the organization in recruiting, there are three key parameters. Firstly, vacancy closing time - the longer the position remains open, vacant, the longer the downtime, the decrease in the efficiency of other employees due to the temporary redistribution of duties,

additional workload. Secondly, the quality of recruiting, which is defined as the compliance of the candidate with the requirements of the position and the culture of the company. Thirdly, the cost of recruiting is the third key parameter in the process.

In a situation of limited labor supply, organizations in the recruiting process solve the optimization problem under three interrelated constraints: time, quality, price. In each case, the recruiting process is a sub-optimal compromise: perfectionism or finding the “perfect candidate” is a common mistake of an inexperienced recruiter or hiring manager.

## Recruiting process

The modern recruiting process - the search and selection of personnel - includes several successive stages [4].

The first stage is **Sourcing**. Based on the job description, the recruiter starts searching for candidates. The result of the search process is a wide list of candidates (“long list”) who are potentially interested in the vacancy.

The second step is **Selection**. Once a wide range of candidates has been obtained, several sequential steps are used for selection. The purpose of these steps is to select the best candidate from a wide range of candidates.

The next step is the **Interview**. As a rule, in the interview, a certain time is set for questions from the candidate. The task of the interview and other steps of the selection process is to predict the future performance, the effectiveness of the candidate in the event of hiring. Depending on the accuracy of this prediction, one speaks about the degree of reliability of the selection method.

The next step is **Job offer**. As a result of the selection, the funnel of candidates is narrowed down to several finalists, and the most suitable candidate receives a job offer. In some countries, a job offer is legally binding and is used instead of an employment contract.

The final step in the hiring process is **Onboarding**. This is a set of measures aimed at reducing the time of unproductive work of a new employee due to the lack of the necessary knowledge, skills and contacts inside and outside the organization, as well as the necessary infrastructure (tools, access, equipment, etc.).

It is also worth noting the importance of such an aspect as the **branding of the company** in the labor market. It is not included in the stages of hiring an employee, however, it is a very important step in attracting highly qualified employees. To attract talented employees, it is necessary to develop the company’s brand as successful and promising, ready to invest in personnel, allowing it to grow.

Now there are many practices for the selection of personnel. Companies are interested in the fact that candidates, already studying in senior courses, begin to work with them, since in this case it is possible to “nurture” them in accordance with the chosen strategy of the organization.



## Examples of search and selection on the market

The Central Bank of the Russian Federation seems to have the most interesting selection method [5]. Bank of Russia internships are made for 4-year undergraduate and 2-year graduate students. It consists of several stages:

1. Selection of CVs.
2. Conducting online testing. It consisted of 2 modules: logics and perception of text information.
3. Evaluation quest. This stage takes place in person at the corporate university of the Bank of Russia. This quest is carried out in a playful way, where all candidates are superheroes of the financial sector. This stage includes 7 tests. This stage includes 7 tests, which are aimed at assessing candidates according to the following parameters: leadership, communication, self-organization, analytics, teamwork, persuasion and influence, making decisions, emotion management.

The CVs of the candidates who received the highest number of points based on the results of the assessment quest are sent to the heads of departments for consideration and selection from their point of view, and according to their acceptable characteristics for a certain vacant place for an internship.

4. The final stage is an interview with the head of the department.

Such selection stages help the Bank of Russia to select the most talented and promising employees among students to work in their structure. Moreover, after going through all the selection stages, the candidate becomes infected with the corporate spirit and feels himself chosen, which gives him great motivation to work.

Despite the fact that such a selection is quite high-quality, it is difficult to say whether it is optimal. The disadvantages of this selection method are its significant implementation costs and the duration of this procedure.

The method of recruiting Sberbank personnel for the position of an intern under the Sberseasons SberGraduate program differs significantly from the Bank of Russia [6]. It follows a more simplified scheme in 3 stages:

1. Consideration of the primary characteristics of the candidate for compliance with the position for which he is nominated.
2. Telephone interview.
3. Interview with the manager.

Thus, the methodology for selecting trainees for Sberbank is somewhat simplified in comparison with others. The costs of selecting students for internships at Sberbank are significantly lower than at the Bank of Russia, this is most likely due to the fact that the skills and knowledge of the intern will be determined in practice and the further employment issue will be decided based on the characteristics received from the head of the department. When selecting for work from the labor market, PJSC Sberbank carries out a similar selection as the Bank of Russia.

Career marathons are another example of talent selection. On them, several companies hire a third party to find employees for themselves. I researched the MAX career marathon at the Faculty of Economics, Lomonosov Moscow State University [7]. In general, the first 2 stages of selection are similar to those that took place in the Bank of Russia. However, due to the large number of people willing to work in a particular company, and the companies themselves that are recruiting personnel, the third stage takes place remotely in the format of video interviews. The above-described competencies in candidates were assessed. Several questions were simultaneously directed to each of these competencies, which were asked to the candidate. However, the assessors assessed whether he was generally able to present these competencies in the video interviews.

E&Y is a consulting company and one of the Big Four audit firms [8]. The head of the department for work with young specialists of the E&Y company, Trokhina Alina, notes that E&Y does not use agencies in attracting personnel, but does it on its own, conducts personnel search on its own. The selection is large enough, so the HR team is divided into work with young specialists, experienced specialists and the Employer brand. Together, they work to meet the needs of the company. The employer brand hosts a large number of events in which existing and potential employees participate. This increases the involvement of staff in the corporate culture and attracts new staff. E&Y is actively recruiting young specialists from the external market, looking for them through mailings and using the database of the Head Hunter website (hh.ru).

Schneider Electric SE [9] is a French electrical engineering company operating in the international market [10]. Emma Kirichenko, an expert in talent management and selection industry and the Director of Human Resources at Schneider Electric, agreed to answer a few questions about talent management in her company.

When hiring an employee, first of all, his potential is assessed. An employee's potential in a company is characterized by a 3A formula: Ability, Agility and Ambition. During the interview, through questions on competencies and motivation, this is assessed.

In interviews with heads of HR departments of several small companies, I found out that when hiring for small companies, the candidate's knowledge, skills, experience, willingness to learn and develop are assessed first of all. At the same time, the selection itself is simplified, often bypassing the stages of screening and testing, since initially there are few applications for employment in small companies.

## Conclusion

Modern recruiting technologies open up a wide range of opportunities for attracting the necessary employee to the organization. The choice of this

or that method depends on many factors: the profile of the vacancy, the rules adopted in the company, the budget, the situation on the labor market, etc. Recruiting is not just one of the processes of personnel management, it is a kind of art, the ability to bring together the requirements of the employer and the interests of the employee. A well-organized recruitment procedure will increase the efficiency of the HR department and allow employees of this department to pay more attention to other issues, including adaptation, training and development of personnel.

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## **EMPLOYMENT AMONG FEMALE POPULATION IN DEVELOPING COUNTRIES: SOCIOECONOMIC AND EDUCATIONAL FACTORS AND OUTCOMES IN ALGERIA**

**Abstract.** The purpose of this report is to provide coverage of work and employment issues faced by women in Algeria and analyze the female employment and initiatives adopted in the Middle East and North Africa (MENA) region. The analysis is based on the methods of empirical, theoretical and data research; it examines the changes for the time period between 2010-2020. The author analyzes the socio-economic and educational factors that exist in Algeria in correlation with the current rate of employment and unemployment among the female population.

**Keywords:** employment, working conditions, labor market, equality, prosperity, poverty, MENA region, Algeria.

### **Introduction**

The modern world is developing fast and improvements and challenges that are driven by its rapid development can be witnessed in every sphere of our life. In the sphere of the world economy, new trends are becoming evident as well. Within the achievements of the previous years, there are drawbacks and unfulfilled aspirations towards creating a sustainable economic environment where equal growth and prosperity can be guaranteed for every member of the community. Women, who are still considered one of the most vulnerable groups of the population, especially in those countries where the level of development is still rather low, are trying to get better opportunities that will provide them with a more decent level of life. This paper analyzes the trend of the past years in the sphere of female employment in such a developing country as Algeria.

### **Female employment and equality**

The question of equality is closely connected with the work opportunities that can be found by women; equal treatment in the labor market is an essential part

of decent work. However, women around the world are still facing obstacles to accessing employment and reaching decision-making positions and jobs that are well-paid. Women in developing countries are often prone to getting lower positions and poorly paid jobs. The tendency of women to work in low-skilled jobs comes from ingrained social norms that limit women's economic mobility. Some societies expect women to take on the full responsibility of childcare and often give them few opportunities to receive education or reduce the level of their domestic labor.

Consequently, these women are less likely to have the same access to work opportunities as men. Labor markets are not equal in terms of female and male work involvement, as well as getting an opportunity to keep on studying in order to get a better education. Consequently, all of these factors limit women's future life and work prospects all over the globe.

However, women are supposed to be involved in the economy on a larger scale, both for their prosperity and equality and for the economy of their developing countries and the whole world. The vitality of the relationship between international trade and gender was clearly underlined by the UN during the United Nations Conference on Trade and Development in 2016 [11]. The question requires the understanding of economic and social dynamics and specific local contexts, in order to establish policies that accelerate economic development and combat poverty, and at the same time promoting women's empowerment and gender equality.

### **Socio-economic and educational factors in Algeria**

The MENA region is characterized by a large youth population. Algeria promotes employment opportunities not only among the male population, but also addresses work issues among the female. However, a large amount of work still needs to be done in Algeria to achieve gender equality. According to the data provided by Statista Inc. it is visible that in 2019 the female and male employment rates in Algeria corresponded to approximately 14% and 61%, respectively. From 2010 onwards, the share of employed men in the country has been significantly higher than women's and peaked at 63.7% in 2013. A large gender gap in employment in Algeria persisted in the period examined [3].

From the research it can be stated that one of the barriers that stands in the way towards increasing women's participation in the economy is Algerian society itself and its beliefs about the role of women in the workforce. Several types of barriers could be identified, including cultural expectations of appropriate jobs and industries for the female, transportation challenges, low self-confidence, and family responsibilities. The problem is that employees do not recognize these barriers, but view them as simply the nature of how males and females operate within Algerian society [2, p.12].

However, education in the region has been improving over the years, although there are some difficulties that still prevent the population from getting a proper education. Firstly, unequal infrastructure coverage can be witnessed, as well as problems with facilities and difficult working conditions (lack of classrooms, overloaded classes). Secondly, there is a lack of financial resources. The school system has a performance problem partly due to a selective and norm-based grading system. It identifies how a test taker does in comparison to their peers and not how much they know, which produces a large number of children dropping out of school [12]. In 2020, the gross enrollment rate in tertiary education in Algeria stood at over 52% [6]. Female and male enrollment rates were around 66% and 39%, respectively. Since 2004, the percentage of female enrollees in tertiary education has been higher than that of men. In the period examined, the gender gap increased year by year, attaining over 27% in 2020. Preferring not to continue their education women very often devote themselves to the household; that is why a higher level of illiteracy among the female can be witnessed.

### **Algeria: trends of the recent years**

The statistics show us the overall tendency that can be witnessed in the Algerian labor force for the period 1990–2020 [7]. It is visible that between the year 1990 and 2019 there was a steady gradual increase. Later, the tendency changed, and an upward trend can be witnessed up to the year 2012. There was a period of fluctuation between 2012–2015. The percentage of female labor force reached its peak in 2016. After that, a gradual decrease can be noted. In the year 2020 the percentage got closer to the indicator of the year 2015, and since 1990 a significant increase in female labor participation can be witnessed. That proves the existence of a positive tendency, but the fluctuations of recent years demonstrate that further measures should be taken in order to assure female employment and labor involvement on a larger scale.

Talking about tendencies, it can be witnessed that the number of employed people in Algeria for the period of the last 10 years also increased from 9,972 in 2019 to 10,662 in 2020 [9]. These figures demonstrate that more working opportunities were created in the Algerian economy for the period examined; the increase in working places makes it more possible for women to find a working place there as well. However, economic growth in Algeria is still not sufficient enough to provide overall prosperity for the region. GDP fluctuations can be witnessed up to the year 2019, with a sharp decrease in 2020.

Overall, the Algerian labor market is characterized by high levels of public sector employment, regulation, low private sector job creation, and informality. The market is also characterized by high levels of youth and women's unemployment and low levels of female labor force participation.

As of 2019, youth and women's unemployment reached 31% and 21%, respectively.

Algeria experienced a period of uncertainty following the resignation of President Abdelaziz Bouteflika in April 2019 that also had a certain impact on the economic situation in the country.

### **Initiatives and measures promoting higher employment among the female**

Talking about programs providing people with opportunities to learn necessary skills and find a better job, the Algerian project in terms of the Middle East Partnership Initiative (MEPI) should be mentioned. The MEPI Local Grants Program [8] seeks projects that build links between and among citizens, civil society, government, and the private sector, and are responsive to emerging opportunities at the local level in the MENA. The program supports projects that align with US foreign policy goals. It is stated that the official youth unemployment rate in Algeria exceeded 29% again in 2020. Private entrepreneurs face significant challenges including currency controls, import restrictions, bureaucratic hurdles, burdensome regulations, and strict government control of key sectors. MEPI focuses on promoting human rights and creating equal opportunities for both, the male and the female. It helps women with getting education grants and tends to increase the role of women in Algerian society.

### **Outcomes**

The socio-economic factors and peculiarities of the Algerian society represent an interesting base for the research. The role of women in this society is still mostly associated with the household, though, as we can see from the research results presented in this paper, more female members are getting involved in the economy.

The barriers that prevent women from a higher level of work involvement root in social beliefs and a lack of educational opportunities. The region faces economic difficulties: the GDP in Algeria fluctuated a lot during the last years, and in 2020 there was a downward trend. The consequences of these difficulties reinforce some of the causes of youth unemployment. Lack of opportunities at home causes many young people to focus their attention abroad and still prevents a large number of people of both genders from getting a proper education.

Women's increased involvement in the economy was the most significant change in labor markets during the past century. The Algerian region is specific in terms of the social beliefs that are still strong there. However, from the research done the positive change in terms of female labor employment can already be witnessed.

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## **IMPACT OF POLITICAL GLOBALIZATION AND GLOBAL CRISIS ON MARKETING FUNCTION**

**Abstract.** Unstable global environment creates increasingly shifting economic conditions, particularly during the global economic crisis, which has had a significant impact on all national economies around the world. Managers were concerned about previous developments (in terms of quantity and quality of industrial processes), but they were unaware of new economic realities. Due to globalisation and worldwide crises, large corporate strategy shifts among Western global manufacturers occurred, aimed at locating vital resources for global corporations' competitive advantages. Many economists failed to predict the emergence of Western successful economies' decline and the global crisis. This paper focuses on rapidly evolving changes and analyzes the inadequacy and heterogeneity of commonly used marketing management analysis, on the bases of which should companies may take reliable decisions in a unstable environment, or they will rely solely on pragmatism.

**Keywords:** crisis, globalization, marketing, management, social cohesion, competitive strategy.

### **Introduction**

Current global turbulence creates highly volatile economic conditions, particularly during crises, which have a profound impact on all national economies around the world. Managers were optimistic about the prospects that had previously been realized (in terms of quantity and quality of industrial processes), but they were unaware of the new economic realities. Due to globalization processes and worldwide crises, western global manufacturers' main corporate strategy shifts were driven by the need to obtain critical resources for global enterprises' competitive advantages. Many economists failed to predict the emergence of the western successful economies' decline and the global crisis, so we focused on the changes that are rapidly evolving and attempted to analyze the inadequacy and heterogeneity of commonly used marketing management analysis, on which bases suggestions for relying decisions of companies in a turbulent environment should be made, or they will rely solely on pragmatism.

## **Evolving role of marketing function before and after economic and political globalization**

Before and after economic and political globalizations, the marketing function's role evolved and marketing science is based on the microeconomic paradigm, focusing on demand (revenues), expenses, and profitability [Anderson, 1982]. The primary units of study were market transactions and highly integrated corporations managing almost all production aspects [Arndt, 1979]. Marketing research requires behavioral science to organize problem definition, allowing the market researcher to identify significant factors and their correlations [Johnston and Lawrence, 1988]. The management approach to marketing emerged in the 1950s and 1960s as a decision-making or problem-solving process based on economic, psychological, sociological, and statistical foundations. Product planning and development, pricing, advertising, and distribution became generally accepted commercial functions. Marketing research has acquired relevance in management practice to connect corporate productivity with market needs. A satisfied consumer is the basic goal of any firm [Drucker P. F. 1954; Levitt 1960]; [McCarthy 1960]. Marketing management is closely linked to large, divisional, functional organizations. In legal sense, massive bureaucratic hierarchical organizations were nearly always corporations (Miles and Snow 1984). It had many layers of management, functional specialization, integrated operations, and line and staff responsibility. During the 1950s and 1960s, large, hierarchical, integrated corporate organizations were the dominant organization form with analytical culture and traditional marketing management paradigms [Massy and Webster 1964].

To remain competitive, enormous production facilities built for greatest economies of scale in the creation of highly standardized items were preserved [Porter, M. E. 1985, 1998]. The marketing department had to first create and comprehend the market to ensure that corporations were producing goods and services that consumers wanted. Marketing as a managerial function was often centralized. Marketing services such as market research, advertising, and sales promotion became cheaper due to corporate centralization. This changed in the late 1970s with the strategic business unit concept. Corporate management delegated operational choices and profit-and-loss accountability to operating units. Marketing grew more decentralized in many large organizations, increasing marketing effectiveness. During the 1980s, new business models emerged [Massy and Webster 1964]. Early on, there was a trend toward more flexible kinds of organization that are difficult to portray with a typical organization chart [Powell 1990]. Less emphasis was placed on inter-company partnerships, and more on intra-company partnerships (divisions, totally owned subsidiaries, licensees, franchisees and joint ventures) [Badaraeco, 1991]. "Value added partnerships" [Johnston and Lawrence 1988] and, "alliances" [Ohmae 1989].

Relationship management rather than market transactions distinguishes them all. These new organizational models are meant to adapt fast to changing technology, competition, and client preferences [Thorelli, 1986].

## Conclusion

Contract negotiation, legal services, and financial coordination are examples of functional specialties that support central leadership in setting goals and maintaining the network's linkages. A strategic role, information management. It retains fundamental competencies vital to a company's capacity to compete globally. The ability to build, manage, and oversee strategic alliances with consumers, vendors, distributors, and others may be a crucial core competency of network enterprises. The intellectual basis of marketing management must be enlarged beyond microeconomics to include people, organizations, and the social processes that link players together in ongoing connections. At the strategic and operational levels, the marketer becomes the integrator, bringing the client into the company as a participant in the development and adaption of goods and services. Marketing's job and purpose have shifted from consumer manipulation to true customer interaction, from last-inline function to corporate-credibility champion. New kinds of global corporate organization necessitate redefining the marketing function's role inside the organization. Traditionally, companies were seen as distinct entities, with an organization chart defining the boundaries between them and the outside world. The external environment comprised of markets where corporations transacted with vendors for resources and customers for their goods and services. The key difference is the blurring of the lines between firms and markets, and between the company and its surroundings. Globalization, and eventually political globalization, which comprises of diverse institutionalizations of international political systems, was inevitable. It was just a matter of time, given recent technological, social, political, and economic changes. In fact, new markets and growth could not save the economy from a worldwide catastrophe and transform the way businesses achieve a "sustainable competitive edge". Competitive advantage becomes a national strategy encompassing national policies, institutional changes, and favorable business environments. Due to globalization, certain corporations rely on a nation's qualities save for one, jurisdiction on its territory.

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