Economic Security of Modern Russia: Current State and Trends

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Abstract

The article analyzes the current state and reveals the problems of providing economic security of modern Russia under the condition of its continuing integration into world economy. Complex research of the factors of macro-economic development allowed determining the key trends of realization of measures for providing economic security of modern Russia and compiling recommendations for its improvement. The purpose of the article is the study of current state and key problems of economic security of modern Russian and development of recommendations for solving these issues. The article uses the following research methods: analysis of statistical information, methods of factor analysis and problem analysis, methods of economic systems modeling, induction, deduction, and synthesis. As a result of the study, the authors concluded that the key problems of the economic security of modern Russia are large external debt, growing expansion of foreign companies in the internal market of Russia, discriminating measures of some international organizations and foreign countries in external economic relations with Russia, and low level of infrastructure development. In order to solve the problem of economic security of modern Russia, the following recommendations are offered: creation of favorable conditions for international integration of the Russian economy, expansion of sales markets for the Russian products, formation of single economic space with the countries of CIS.

Keywords: economic security, modern Russia.

1. Introduction

Global financial and economic crisis that began in 2008 proved the necessity for coalition approach to evaluation of national economic security. The threats relating to decrease of incomes of population enhance due to large difference of incomes of the population in the country.

Consequently, at modern stage of Russia’s history there are internal and external threats in economic sphere which significantly influence the national security of the state. It all proves an actual existence of threats to Russia’s national security. However, there is a tendency for unlimited expansion of the list of economic threats and including in it the usual drawbacks which are usual for transitional state of Russian economy.

With such approach, the very problem of economic security dissolves in general characteristics of economic development of the country, and, therefore, it is difficult to develop the activities for its provision. While studying the issue of economic security, including external threats, it is necessary to concentrate attention on revealing and researching the influence of direct and primary factors of economic provision of national security of the state as an integral economic system.

The problem of the research consists in the necessity for search for the solution of the problem of economic security of modern Russia. The purpose of the article is the study of current state and key problems of economic security of modern Russia and development of recommendations for solving these issues.

2. Materials and Methods

Rather wide definitions are used in regard to the object of providing economic security – it refers to the country’s
Economy, national business, resources, economic (business) subjects, etc. Lists of functions or features of the object of economic security as a branch of economic theory are even wider. Thus, the academician L.I. Abalkin discerns components of economic security system, according to its definition as an assembly of conditions and factors which ensure the independence and sustainability of national economy (Abalkin, 2012).

Group of authors (A.E. Vorobyev, G.A. Balykhin, V.I. Komashchenko) offer the following rendering of the category: “Economic security is protectability of economic interests and economic sovereignty of a state from discrimination and economic dictate in the form of economic sanctions, bans, and limitations, as well as from internal threats to economic potential of a state, under conditions of instability of economic relations and system refashioning” (Vorobyev, Balykhin, Komashchenko, 2014).

The most accurate rendering of the category is done by V.K. Senchagov. He defines economic security as a state of economy and government institutions which ensure guaranteed protection of national interests, social orientation of policy, and sufficient defense potential even under unfavorable conditions of internal and external processes development, which means “not only protectability of national interests, but also capability of government institutions for creating mechanisms of realization and protection of national interests, development of national economy, and maintaining socio-political stability of society” (Senchagov, 2013).


In order to determine the current state and tendencies of development of economic security of modern Russia, the author uses the methods of analysis of statistical information about basic macro-economic indicators for the period of 1994-2014. Also, the authors use the methods of factor analysis and problem analysis of statistical information for allocation of factors and problems of economic security of modern Russia. For viewing the economy of modern Russia, as a system, the methods of systemic analysis and the method of economic systems modeling are used. Also, the general scientific methods of induction, deduction, and synthesis for building logic of research and substantiation of conclusions and recommendations are used.

3. Results

Economic security, as a category of economic science, is a many-sided and multi-aspect notion, studied from various points of view and from positions of various scientific fields and disciplines. Analysis of current methodological approaches shows that “economic security” is defined as protectability, state, complex of measures, and assembly of conditions and factors. On the basis of official statistics of Russia, we performed calculation of main macro-economic indices for the period from 1994 to 2014, in order to find their dynamics within the system of economic security (Table 1).

<table>
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<tr>
<th>Table 1. Volume and dynamics of GDP of the Russian Federation</th>
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<td>GDP (in fixed prices), in % to previous year</td>
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<td>Deflator index of GDP, in times to previous year</td>
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<td>Inflation rate, %</td>
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<td>Real incomes of population, in % to previous year</td>
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<td>Quantity of population – total, thousand people</td>
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In 2014, GDP was RUR 39,064 billion, whereas gross value added constituted RUR 34,161 billion in 2014. During 1994-2014, GDP grew substantially; gross value added increased proportionally. Growth of pure taxes on products is naturally determined; it was observed during the whole studied period, except for certain decrease of this parameter in 2014, which is caused by decline in production in Russia due to the financial crisis.

GDP growth in Russia began in 2000s; according to official statistics, it constituted 107.3% in 2000. In the following years, the growth rate stabilized on the level of 68% annually (in pre-crisis 2007, GDP was 108.1%), which corresponds to the level of new industrial countries (Mexico, India, China, Singapore, South Korea). It should be noted that during the global financial crisis this factor somewhat decreased: in 2013 it constituted 105.6%, and in 2014 – 92.1%.
Decline in inflation, which is observed during last several years, positively influences economic security of Russia. It should be noted that in 2012 and 2013 inflation grew. As a result of dynamics of world prices for fuel and raw materials during recent years, there was a massive inflow of currency to Russia; but such a favorable state of affairs creates well-known macro-economic problems, in particular, growth of ruble exchange rate.

In that regard, the reaction to the threat consisted in creation of original and classical model of joint regulation of money and credit sphere by Russia’s Central Bank and government. By massive purchase of foreign currency in the market, the Central Bank of Russia provided the desired dynamics of nominal exchange rate of ruble; thus, the quantity of money in the country’s economy, as well as foreign exchange reserves in the Bank grew. In its turn, the government eliminated the inflation pressure, which appeared as a result of Central Bank’s activities, by excluding excessive rubles with the help of fiscal instruments and sending them into Stabilization Fund which was later transformed into Reserve Fund and the fund of future generations.

Analysis of the dynamics of main socioeconomic indices of the Russians’ living standards allows making a conclusion about certain growth of almost all factors which characterize the level of living of population in Russia. Especially important for providing social parameters of economic security is the growth of such factors as incomes of people per capita, real incomes of people, average monthly nominal accrued wages of corporate employees, average size of assigned monthly pensions and their real size, and level of the cost of living.

The most important factor of economic security – especially, in the period of transition of Russian economy to innovational path of development – is the parameter of financing of scientific research and developments. Official statistics shows a certain growth of financing of science from the federal budget. At the same time, the specialists mark the problems that exist in this sphere: the financing is clearly behind the similar parameters of the countries that are on the innovational path of development.

Official Russian statistics shows that the “weakest spot” in the system of socioeconomic factors during many years is the demographic situation. Population of Russian continues to decrease; comparing with 1990, the decline constituted almost 5 million people. The parameters of life duration, comparing with the developed countries, are low, and the gap between life duration of men and women is large. A certain rise in births which began in 2002 should be mentioned, while child mortality is still high.

Nowadays, under conditions of continuing globalization of the world economy, permanent expansion of NATO to the east, and expected accession to the WTO, there is an important task of determining the new priorities of Russia. As a matter of fact, a destiny of Russia is being decided – should it be a democracy with highly developed economy or have a raw-exports role of industrially developed countries. Under these conditions, the efforts of all spheres of economic basis should be directed at the provision of the following strategic national priorities of the Russian Federation:

− improvement of the population quality of life;
− reaching economic growth;
− development of fundamental science; supporting country’s defense and security;
− overcoming technological crisis;
− reaching leadership in certain top-priority spheres;
− full-scale application of research and development in production of goods and services.

National security of the state should be supported by reliable economic basis. At that, the interests of national security of Russia in economic sphere should proceed from National strategies and Conception of national security protection. Realization of national interests of Russia is possible only on the basis of sustainable development of economy. That’s why the economic interests of Russia have a key role in this sphere.

At present, a serious threat for economic security of Russia is presented by imposing the trade-economic sanctions against Russia from some countries of the world. Interruption of commercial relation might hinder the full supply of demand for consumer goods, which would lead to the growth of inflation. Under conditions of unfavorable international situation and instability of Russian economy, the business climate is also unfavorable, which complicates the own mass manufacture of consumer goods for reduction of dependence on import.

A significant influence on the economic security of modern Russia is provided by actions of OPEC and by fluctuations of oil prices. Considering the raw orientation of the Russian economy (export of natural resources and energy constitutes more than 60% of Russia’s external trade), the reduction of energy prices directly leads to the reduction of the state budget, which might hinder the full realization of social programs.

It is a subversion of national security of Russia in the economy. Despite the fact that the share of the sphere of services increases in GDP, like in developed countries, these services are related not to high-tech, but to services of “massage parlor” type. These negative trends, which are an economic threat, are scrupulously studied by world economic
science, but now Russia is exposed to them. In order to resist the pressure from outside and timely prevent real external dangers and threats, they must be clearly revealed. The most serious in modern conditions are the following problems of providing national security of Russia:

- significant external debt and related increase of expenses on its liquidation, as well as rising attempts to use it as a pressure while making important economic and political decisions;
- growing expansion of foreign companies in the domestic market of Russia, and, consequently, rise of dependence of our country on the import of many types of products, including strategic ones;
- discrimination measures of some international organizations and foreign countries in external economic relations with Russia, reflationary policy towards our country, extrusion of Russian companies from traditional external markets, particularly, of military and machine building production;
- engrossment by foreign companies of our enterprises with the aim of controlling them and creating conditions for provision of their success in competitive struggle in external and internal markets;
- bad condition of customs border and insufficient export and currency control;
- underdevelopment of infrastructure of export-import operations, etc.

At modern stage of Russia's history, there are internal and external threats and risks in economy which substantially influence economic security of the country. The external threats include:

- overexposure of Russia's economy, of all its most important spheres to foreign economic conjuncture, to political and economic decisions of integrating groups of foreign countries, international and trade organizations, which infringe upon Russia's interests in the sphere of economy;
- significant external debt and related increase of expenses on its liquidation, as well as rising attempts to use it as a pressure while making important economic and political decisions;
- development of negative processes in economy of some regions (Kaliningrad Oblast, Far East), enhanced by expansion of NATO and the EU towards Russian borders, territorial claims of Japan and permanent growth of Chinese population in Far East region, which facilitate the expansion of political of economic influence on corresponding Russian territories from foreign states;
- engrossment by foreign companies of Russian enterprises with the aim of extrusion of Russian companies from internal and external markets of variety of consumer goods; Russia's dependence on the import of many types of products, including strategic ones, food products, and components for machine building;
- discrimination measures of some international organizations and foreign countries in external economic relations with Russia, possible threats in transport and energetic sphere, especially, in the view of Russia's accession to the WTO;
- insufficient export and currency control, bad condition of custom and state border, which leads to outflow of capital;
- underdevelopment of transport infrastructure of export and import operations, in particular, unsanctioned siphoning of oil-products from oil and gas pipe lines which cross the territories of Ukraine, Belarus, Chechen Republic, and Latvia;
- potential for use (including unsanctioned) of nuclear weapons and other weapons of mass destruction, which is possesses by a variety of states, etc.

By virtue of assembly of external threats, they enhance the danger of some internal threats. For example, in view of Russia's accession to the WTO, it is possible to forecast the rise of threats of transport, energetic, informational, financial, and military-economic security.

In the context of rise of openness of Russian economy in view of its accession to the WTO, the increase of competitiveness is the most important factor for preserving Russia's role as an active subject of world policy and economy and for reaching the strategic task of providing sustainable development. On each stage of the state's development its national interests are defined. At present, Russia's national interests are the following:

1) averting the threats over the whole range – the main national interest of Russia;
2) territorial integrity of the state. Up to now, a threat to Russia's unity remains. Separatism takes new forms and transforms from political into trade and economic with all that it entails;
3) preservation of civil peace, freedom, and rights must be realized in laws and existing government institutions of Russia;
4) Russia's interests in political sphere. To some extent, they are determined by its geopolitical location;
5) economic interests of Russia:
   development of the conception of economic provision of national security; this is determined by the fact
that at present, political and military components of Russia's status as a super power are supported by insufficiently reliable economic basis;

− continuation of research of practical acquisition and rational use of mineral and living resources of coastal shelf and exclusive economic zone of the RF, situated beyond the borders of land and sea territory of Russia;

− taking energetic regulatory measures, preventing uncontrolled use of resources which belong to all Russia;

6) vital interests of Russia include:

− protection of its sovereignty and territorial integrity;

− economic resurgence of the country and improvement of population’s living standards;

− creation of legal democratic state on the basis of constitutional form of government;

− development of international relations, based on the rule of law, democracy, and human rights.

Protection of national security and interests of Russia in economic sphere are the top-priority courses of state policy. The most important tasks in the foreign economic activity are:

− creating favorable conditions for international integration of Russian economy;

− expansion of market channels of Russian production;

− formation of single economic environment with other countries of the CIS.

These tasks may be fulfilled on the basis of:

− expanding access to international resources (high-tech, information, goods and services, etc.) which possess key value for economic development of Russia, Russia’s accession to strategic alliances with world leading producers of high-tech science-intensive products;

− raising foreign debt funds, particularly foreign investments, under favorable terms;

− formation of complex system of Russian law in the sphere of economy and its harmonization according to international legislative basis, especially, in view of Russia’s accession to the WTO;

− provision of effective – from the point of view of Russia’s interests – cooperation with international economic and financial organizations;

− building relations between Russian and the WTO on the terms which ensure equal membership of its economic entities in the international exchange of goods and services;

− top-priority development of economic relations and integrating processes with countries of the CIS;

− diversification of external trade structure, rise of share in export of science-intensive products of high degree of processing and high-tech;

− provision of equal terms of access of domestic products, especially science-intensive products of high degree of processing, to external markets and creation of the system of export state support;

− use of mechanisms of custom-tariff and non-tariff regulation in view of priorities of state structural policy;

− increase of level of legal safety of Russia's property abroad and of legal interests of Russian legal bodies in their relations with foreign economic subjects, and of effective use of Russian state property abroad.

Under conditions of liberalization of Russia’s trade and increase of competition in the global market of goods and services, it is necessary to enhance the protection of interests of domestic manufacturers. A very important role belongs to the conduct of well-balanced credit and financial policy, aimed at the stage-by-stage reduction of Russia’s dependence on external loans and at the enhancement of its positions in international financial and economic organizations.

4. Conclusions

As a result of analysis of statistical information, it was determined that the most “weak spot” in the system of socio-economic indicators is the demographic situation. The key problems of economic security of modern Russia are large external debt, growing expansion of foreign companies in the internal market of Russia, discriminating measures of some international organizations and foreign countries in external economic relations with Russia, and low level of infrastructure development.

A strategic goal of Russia’s development in the long-term is its turning into one of the leaders of the global economy and entry on the level of the developed postindustrial states. Realization of this goal supposes reaching the standards of living which correspond to the level of the developed countries; ensuring the scientific and technological
leadership of Russia in the spheres which constitute its competitive advantages and national security. An important task is also Russia’s participating in international division of labor on the basis of leading research work and high technologies.

Therefore, in order to solve the problem of economic security of modern Russia, the following recommendations are offered: creation of favorable conditions for international integration of the Russian economy, expansion of sales markets for the Russian products, formation of single economic space with the countries of the CIS.

References