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**TRENDS AND OUTLOOKS**

*(Issue 42)*

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The review “Russian Economy. Trends and Outlooks” has been published by the Gaidar Institute since 1991. This is the 42th issue. This publication provides a detailed analysis of main trends in Russian economy, global trends in social and economic development. The paper contains 6 big sections that highlight different aspects of Russia’s economic development, which allow to monitor all angles of ongoing events over a prolonged period: global economic and political challenges and national responses, economic growth and economic crisis; the monetary and budget spheres; financial markets and institutions; the real sector; social sphere; institutional changes. The paper employs a huge mass of statistical data that forms the basis of original computation and numerous charts confirming the conclusions.

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### 6.7. Russia in key international institutions<sup>1</sup>

The whole complex of pandemic, economic, and social crises has become a kind of a stress test for the system of multilateral cooperation as it is weakened by geopolitical conflicts, contradictions between the key members and growing mistrust due to stalled reforms of international organizations and their inability to cope with a host of global issues. Even prior to the pandemic outbreak, 2020 did not promise to be easy. Deepening inequality, deceleration of economic growth, acceleration of climate change, fiercer competition for digital technologies, and the fragmentation of cyberspace demanded joint efforts at the regional and global levels. The human toll, contraction of GDP by 5.2%,<sup>2</sup> a 13% drop in trade,<sup>3</sup> a 60% plunge in oil prices,<sup>4</sup> and a loss of an equivalent of 495 mn of full time jobs<sup>5</sup> have aggravated long-term challenges by simultaneously casting aside cooperation to overcome them. In this context, it was paramount to balance the urgent agenda and long-term objectives.

#### 6.7.1. The BRICS Chairmanship

Russia was making preparations to assume the BRICS chairmanship under the overall theme “BRICS Partnership for Global Stability, Shared Security, and Innovative Growth.” The program comprised more than one-and-a-half hundred events on three “group of five” priorities: strengthen multilateralism, promote common interests in international organizations, intensify trade, economic and investment cooperation, expand people-to-people contacts and extend cooperation in humanitarian and cultural spheres. It is a success that, despite the new conditions, almost all the events were held, although in a virtual format, and all the planned documents were agreed upon. The fight against coronavirus

1 This section was written by *Ignatov A.*, Junior Researcher, CIIR RANEPА; *Larionova M.*, Doctor of Political Sciences, CIIR RANEPА; *Popova I.*, Researcher, CIIR RANEPА; *Sakharov A.*, Researcher, CIIR RANEPА; *Shelepov A.*, Candidate of Economic Sciences, Researcher, CIIR RANEPА.

2 The Global Economic Outlook During the COVID-19 Pandemic: A Changed World. URL: <https://www.worldbank.org/en/news/feature/2020/06/08/the-global-economic-outlook-during-the-covid-19-pandemic-a-changed-world>

3 Trade shows signs of rebound from COVID-19, recovery still uncertain. URL: [https://www.wto.org/english/news\\_e/pres20\\_e/pr862\\_e.htm](https://www.wto.org/english/news_e/pres20_e/pr862_e.htm)

4 Oil Price Charts. URL: <https://oilprice.com/oil-price-charts/67>

5 ILO Monitor: COVID-19 and the world of work. Sixth edition. URL: [https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms\\_755910.pdf](https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms_755910.pdf)

and cooperation to overcome the pandemic and its consequences have been on the agenda since the first event of the chairmanship - the February meeting of Sherpas.<sup>1</sup> The participants pledged to coordinate efforts aimed to combat the pandemic outbreak, including in the framework of WHO and expressed their support for the PRC and emphasized the unacceptability of discrimination and overreaction, bearing in mind the accusations of the US President that China is responsible for the spread of the pandemic. The expression of solidarity was important for China and the cohesion of the “group of five.”

All ministerial documents dealt with the collaboration in combating the pandemic. Participants of the extraordinary meeting of the BRICS Ministers of Foreign Affairs held in April 2020<sup>2</sup> discussed not only political issues but measures aimed at coordinated efforts to counter the COVID-19 pandemic including development of vaccine, coordination of fiscal and monetary policy, financial sustainability, and employment support.<sup>3</sup> Different ministers present at the meeting adopted a special statement on the need to conduct a policy promoting early economic recovery. Ministers of economy and foreign trade highlighted the fact that any restrictive measures imposed to face COVID-19 should have targeted, proportionate, transparent, and temporary nature. Heads of tax agencies discussed actions aimed at easing tax burden and relief for business and people during the pandemic and recovery thereafter. Ministers of agriculture laid out measures on minimizing the impact of COVID-19 on supply chains of food products, stabilization of agricultural markets, protection of farmers’ incomes and achievement of sustainability and productivity of agricultural systems. It was obvious that joint efforts on resolution of issues aimed at protecting the health and wellbeing of humanity what was a priority and was institutionalized in 2012 focused on the containment of COVID-19. Russia proposed to set up a complex system of early warning of risks for the spread of mass infections within BRICS.

BRICS leaders confirmed the obligation to jointly work in such areas as risk management of new infections with pandemic potential, the most rapid implementation of 2019 decision regarding setting up of BRICS Center for research and development of vaccines. Russian can host such Center on the basis of one of the leading Russian institutes which could have contributed not only to a speedy development and deployment of new technologies but to promote them in partner countries. The New Development Bank (NDB) funds could be used for the creation of the Center, moreover Russia is the only BRICS member that did not take advantage of the NDB funds to combat the pandemic and its social and economic fallout.

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- 1 Meeting of Sherpa/sous-Sherpa of BRICS member states. URL: <https://brics-russia2020.ru/calendar/20200211/6974/Zasedanie-sherpsu-shep-stran-BRIKS.html>
  - 2 Extraordinary meeting of the BRICS Ministers of Foreign Affairs in video conference format. URL: <https://brics-russia2020.ru/news/20200428/390145/O-vneocherednom-soveshchanii-glavneshnepoliticheskikh-vedomstv-gosudarstv-BRIKS-v-formate.html>.
  - 3 Statement and answer to media questions of Mr. Sergey Lavrov, Minister of Foreign Affairs of the Russian Federation at the press-conference on the outcome of the extraordinary meeting of the BRICS Ministers of Foreign Affairs, Moscow, April 28, 2020. URL: [https://www.mid.ru/ru/foreign\\_policy/news/-/asset\\_publisher/cKNonkJE02Bw/content/id/4107702](https://www.mid.ru/ru/foreign_policy/news/-/asset_publisher/cKNonkJE02Bw/content/id/4107702)

Already in March 2020, the New Development bank approved a Program of urgent assistance aimed at providing crisis-related loans to the member-states to the tune of \$10 bn. From March till June the Bank approved loans to China, India, Brazil, and South Africa in the amount of \$1 bn each.<sup>1</sup> The Bank successfully issued two tranches of 3-year and 5-year COVID Response Bonds valued \$1.5 bn and \$2 bn, respectively on the international capital markets. The Bank continued financing previously approved projects. Over 2020, the Board of Directors approved financing of the new projects to the tune of \$3.6 bn of which around \$700 mn for projects in Russia. The NDB Eurasian regional center was launched whose objectives include search for and preparation of new projects, build-up of Russian projects portfolio. The decision on extension of the NDB shareholders and the kick start of negotiations with potential members should contribute to resource mobilization for financing the infrastructure and sustainable development projects. The results of the financial track performance also encompass the third testing of the pool mechanism of contingent currency reserves of the BRICS members, initiative on launching of special information channel on cyberattacks and cyber threats between the central banks of the BRICS members, the BRICS central banks working group research on potential architecture of cross-border payments and prospects for national bank cards systems integration.

Prepared in the framework of Russian Chairmanship, the Strategy for the BRICS economic partnership 2025 defines the trajectory of cooperation strengthening of the “group of five” in three priority areas: trade, investment, finance; digital economy; and sustainable development. In order to diversify trade within BRICS and ramp up trade turnover within the “group of five”, it is envisioned to implement measures aimed at reducing barriers on mutual trade of goods and services; promote cooperation in the sphere of technical regulation; standardization, metrology, conformity assessment and accreditation; strengthen customs cooperation. Improvement of transparency and enhancement of investment climate should contribute to attraction of mutual investments. In the field of finances, the following objective were set: to promote work to increase the share of national currencies in mutual payments, strengthen cooperation with regard to payments systems, develop domestic capital markets, continue cooperation on establishing the BRICS Local Currencies Bond Fund the implementation of which the BRICS members have not progressed since 2016 when it was first laid down during chairmanship of China.

Issues of digital economy and sustainable economy were missing in the first five-year Strategy adopted in 2015. A set of measures on digitalization is aimed at bridging digital divide primarily through the creation of digital infrastructure. That said, such aspects as security of important infrastructure and cooperation in the sphere of digital economy regulation have remained beyond the Strategy. Tasks of sustainable development in the sphere of climate change envisage creation of conditions for the development, adoption and production of technologies and practices that contribute to the reduction of greenhouse gas emissions in the

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1 New Development Bank COVID-19 Response Programme. URL: <https://www.ndb.int/covid-19-response-programme/>

atmosphere; encourage the use of low-carbon technologies and the development of special instruments for stimulating such incentives. Regarding energy, the priorities focus to promote balanced energy mix of non-renewable and renewable sources, promote effectiveness and stability of energy markets, develop and deploy advanced clean energy technologies.

The Strategy prioritizes the shaping of external conditions of cooperation. The BRICS members have laid out their common position on reforming international financial architecture and commitment to promote enhancement of open, non-discriminative the WTO rules of multilateral trade system and the central role of the Organization in this system, refusal to introduce trade and investment protectionist measures and unilateral trade and investment restrictions incompatible with international obligations.

The implementation of the Strategy tasks can contribute to the achievement of the national objective of Russia's development for the period until 2030. However, the Strategy has no direct force. The development of sectoral programs and road maps for which the Strategy creates a frame work will be a mechanism for its implementation. The Strategy's implementation efficacy will depend on the continuity and quality of cooperation in concrete areas within further chairmanships.

#### 6.7.2. Chairmanship in the Shanghai Cooperation Organization

The Shanghai Cooperation Organization (SCO) that has emerged from the informal mechanism of cooperation on regional security traditionally focuses on the issues of combating terrorism, extremism and drug trafficking. Historically Russia played the leading role regarding security issues and China – regarding the economic cooperation issues. Russia's chairmanship was not an exception. The tasks earmarked for 2020 encompassed intensification of geopolitical cooperation and enhancement of SCO's leading positions in terms of security support and stability. The economic block focused on such priorities as synergy of the national development strategies and multilateral integration projects as a basis for the formation of a wide and mutually beneficial cooperation in terms of security provision and sustainable development on the Eurasian space as well as expansion of economic cooperation first of all in transportation and logistics, infrastructure, scientific and technological and innovation spheres. Summarizing the results of Russia's chairmanship one can note that significantly more impressive results have been achieved in terms of regional security than in the economic sphere. The Russian initiative to create the Great Eurasian Partnership (GEP) with the participation of the Shanghai Cooperation organization members, the Eurasian Economic Union, the Association of South-East Asia states and other interested states and multilateral associations was noted by the partners however it did not get enough support. That said, all partners, except India, confirmed their support for the Chinese initiative One Belt, One Road (OBOR) and efforts aimed at coupling the Eurasian Economic Union with the OBOR. The competition between two initiatives and the lack of concrete projects and resources behind the GEP does not benefit the development of economic cooperation in the SCO.

Many leaders highlighted at the summit that the SCO had accumulated a significant economic and investment potential, had created the normative base including the Program of Multilateral Trade and Economic Cooperation (2019), the Plan of Actions on its implementation (2020), the Plan of Action for 2021-2025 for the implementation of the SCO Development Strategy until 2025 (2020), however in order to achieve success the Organization needs to transfer this potential into real projects. All the participants, except Xi Jinping<sup>1</sup> and Vladimir Putin,<sup>2</sup> spoke for the accelerated establishment of mechanisms for project financing, the SCO Bank and Development Fund. The idea has been in the works since 2004, the financial institutes could have been the accelerators of development of infrastructure in the region including in the field of transportation, logistics, energy, and digital, however due to the lack of support on the part of Russia the decision have been put off from one year to the next. As a result, the partners will look for a possibility to finance project through banks where China is the largest shareholder. According to the General Secretary, “it is long past time to tackle this issue from a new angle including by way of establishing the SCO’s partnership with international financial institutions such as the Asian Infrastructure Investment Bank, the BRICS Bank, and Silk Road Fund in order to use their potential in the implementation of mutual transborder projects in the framework of our organization.”<sup>3</sup> For Russia, which seeks to contain China’s economic influence in the region, such an approach will be counterproductive. Emomali Rahmon, the President of the Republic of Tajikistan, who will hold the chairmanship in 2021, stated that the establishment of specialized financial institutions will be one of the priorities in the course of the twentieth year of SCO cooperation. Russia’s support will be of paramount importance although not exclusively for obtaining consensus regarding the establishment of institutions and determining their parameters but also for enhancing Russia’s influence in the organization and in the region, strengthening relations with partners and financing of priority projects, for example, in the field of digital economy.<sup>4</sup> As the BRICS NDB performance demonstrates, the SCO Bank can become a source of resources for financing anti-crisis programs.

Combatting the pandemic and its consequences affected the chairmanship’s agenda and cooperation in the field of healthcare.<sup>5</sup> The leaders expressed their commitment to expand cooperation in the field of public health, comprehensively coordinate emergency response in the field of health and epidemiology, and deepen scientific and technical cooperation in the development of drugs, vaccines and test systems.<sup>6</sup> They adopted a Comprehensive Plan of Joint Actions of the SCO

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1 The PRC is the initiator of its creation.

2 Russia does not support the creation of financial institutions considering they will promote strengthening the Chinese influence.

3 TASS: The SCO member states must speed up the establishment of financial institutions of the organization – general secretary. URL: <http://rus.sectSCO.org/news/20201201/696740.html>

4 A statements of the SCO Heads of State on cooperation in the field of digital economy (2020) highlights the importance of practical cooperation in this field.

5 Implemented in the framework of an Agreement between the SCO member states governments on cooperation in the field of healthcare as of 2011.

6 A statement of the Council of Heads of State of the SCO member states on a mutual combatting the novel coronavirus infection. URL: <https://SCO-Russia2020.ru/images/108/43/1084305.pdf>

Member States to counter threats of epidemics in the region. Given the upcoming Tajikistan chairmanship, the development of the Plan of urgent practical measures for 2021-2022 was intended aimed at mitigating socio-economic, financial and food COVID-19-induced fallout in the region.

The SCO partners proactively promote cooperation between scientific and research and analytical centers of the member states on economic issues in order to determine promising fields for its further extension and deepening. Economic cooperation will become the same important field of cooperation within the SCO as the security. The containment strategy of its development can result in the loss of its importance. Active participation in determining the priorities for the future economic partnership, its filling with specific projects including through the initiative for establishing the SCO expert centers would have been a more productive approach to achieve the objective of sustainable development on the Eurasian space laid out by the Russian chairmanship.

### 6.7.3. The G20

Cooperation in the framework of the G20 remained a priority area in Russian foreign economic activity in 2020. The crisis demonstrated high demand for the leadership potential of the G20, although it is not always able to meet it. However, the G20 took on the role of a driving force and coordinator of the anti-crisis actions of international organizations.

Commitments of the urgent G20 Summit on support of the WHO efforts, strengthen its mandate, close the financing gap in the WHO Strategic Preparedness and Response Plan, provide immediate resources to the WHO's Solidarity Response Fund, development of urgent short-term actions to step up global efforts to fight the COVID-19 crisis have kick started the program of coordinated measures and allowed to mobilize new resources for public health purposes. The commitment to inject over \$5 trillion into the world economy, as part of targeted fiscal policy, economic measures, and guarantee schemes to counteract the social, economic and financial impacts of the pandemic was aimed at the support of economic resiliency and safeguard jobs. The commitment to counteract disruptions to the world supply chains should ensure the flow of vital medical supplies and other critically important goods and services across borders. Although these commitments have failed to avert the social and economic fallout of the pandemic, nevertheless they have promoted global cooperation in deployment of comprehensive financial measures taken by the IMF, the World Bank Group, and multilateral development banks to assist the most vulnerable countries.

In his address to the emergency Summit, the President of the Russian Federation outlined as an absolute priority of international cooperation joint efforts to the earliest development and provision of vaccines and medicines. In order to mobilize resources, Russia suggested setting up a special fund under the IMF aegis funded by the central banks – emitters of currencies in the IMF's currency basket with the view to provide any member of the IMF the right to borrow from this fund in proportion to its share in the world economy at zero rate for a long term. The President of Russia also emphasized the need to create "green corridors" for free



movement of supplies and technologies intended for the countries the hardest hit by the pandemic.<sup>1</sup> Unfortunately, Russian proposals regarding the fund and green corridors were not reflected in the summit commitments and later G20 documents. The enhanced cooperation and urgent financing of the development of drugs and vaccines was one of the priorities of the Plan of Actions to support the world economy due to COVID-19 adopted in April 2020 and the G20 subsequent decisions. Russia joined the Coordination Council on the Initiative to speed up access to the resources to combat COVID-19, support development of vaccines in the framework of the WHO, expressed its readiness to provide its vaccine for vaccination of the UNO employees. At the G20 Riyadh Summit, the President of Russia reiterated Russia's position that vaccines should be available to everyone and Russia is ready to provide its coronavirus vaccines Sputnik V and EpiVacCorona to the countries in need.

Russia has significantly contributed to the implementation of the emergency summit commitments in other fields: mitigation of the pandemic fallout, support of the economy, hardest hit industries and micro-, small and medium-sized enterprises (MSME), safeguard jobs and provision of social protection for vulnerable groups of population. Total volume of anti-crisis fiscal relief packages amounted to 4.5% of GDP. Of course, it is incomparable with the fiscal stimulus packages adopted by Japan (21.1% of GDP) or the USA (13% of GDP), but approximately comparable to the volume extended by the EU (4.3% of GDP).<sup>2</sup>

Russia has support the G20 Debt Service Suspension Initiative despite the fact that the Initiative does not lead to a reduction in debt and solely suspends it and encompasses only 73 poorest countries of the world,<sup>3</sup> and does not cover private debt, and so far applies to merely 3.65% of total cost of debt service of the developing countries in 2020<sup>4</sup> and even after been extended for another 6 months will allow to suspend payments to the tune of \$11.7 bn.<sup>5</sup> At G20 Riyadh Summit, the President of the Russian Federation Vladimir Putin suggested to think out additional measures to avoid deterioration of the situation and increase in economic and social inequality. It appears that such measures can include the issuance of special drawing right (SDR) to the tune of \$500 bn in support of efforts taken by the developing countries in combating the pandemic. The Trump Administration has blocked the corresponding proposal by the IMF Board of Governors, however, considering its importance and occurred changes in the US President administration, it is possible to return to discuss this idea. Moreover, the SDR issue can be implemented simultaneously with the agreement that the

1 G20 summit. URL: <http://kremlin.ru/events/president/news/63070>

2 Value of COVID-19 fiscal stimulus packages in G20 countries as of October 2020, as a share of GDP. URL: <https://www.statista.com/statistics/1107572/covid-19-value-g20-stimulus-packages-share-gdp>

3 COVID 19: Debt Service Suspension Initiative. URL: <https://www.worldbank.org/en/topic/debt/brief/covid-19-debt-service-suspension-initiative>

4 Shadow report on the limitations of the G20 Debt Service Suspension Initiative: Draining out the Titanic with a bucket? URL: [https://www.eurodad.org/g20\\_dssi\\_shadow\\_report](https://www.eurodad.org/g20_dssi_shadow_report)

5 The G20 "Common Framework for Debt Treatment beyond the DSSI": Is it bound to fail? Part 1. URL: [https://www.eurodad.org/the\\_g20\\_common\\_framework\\_for\\_debt\\_treatments\\_beyond\\_the\\_dssi\\_is\\_it\\_bound\\_to\\_fail#:~:text=The%20G20%20recently%20announced%20the,of%20the%20Covid%2D19%20pandemic](https://www.eurodad.org/the_g20_common_framework_for_debt_treatments_beyond_the_dssi_is_it_bound_to_fail#:~:text=The%20G20%20recently%20announced%20the,of%20the%20Covid%2D19%20pandemic)

rich countries that had no need for them could transfer some of their new SDRs to IMF or a special vehicle for the pandemic jointly overseen by IMF, the World Bank and/or regional development banks on condition of their subsequent use by corresponding institutions for issuing soft credits and debt relief of the poorest countries.<sup>1</sup>

The G20 commitment to enhance cooperation on digitalization to overcome the pandemic fallout, counteract COVID-19, recover and ensure sustainable and inclusive growth are among the Russian priorities. In 2020, G20 defined cooperation priorities,<sup>2</sup> adopted Recommendations for national policy and international cooperation for reputable artificial intellect, approved fields of work on transborder data flows, adopted the Roadmap to a common measure of the digital economy (DE). The reorganization of the Digital Economy Task Force into the Digital Economy Working Group confirms increased attention of G20 to corresponding issues. Integration of the DE regulation issues into G20 opens up potential opportunities for raising Russia's influence on the formation of regulation which is especially important taking into account restrictions in OECD that is striving to strengthen its statutory leadership in DE and legitimate its instruments through the Group of Twenty. Consequently, we see it fit to plan and prepare proactive Russia's participation in the Working Group working out common approaches towards data management. Russia could have proposed for G20 agenda issues of digital platforms regulation and establishment of the Digital Stability Board. Establishment of such institution (by analogy with the Financial Stability Board) charged with the development, coordination and monitoring of digital economy regulation, will help to avert the crisis due to weaknesses of international regulatory system as it happened in 2008 simultaneously allowing countries with emerging economies and developing countries comprehensively participate in the formation of new mechanisms. Joint initiative of the Development Working Group and the Digital Economy Working Group on integration in current tasks and indicators of digitalization into the Sustainable Development Goals could have contributed the use of the digitalization advantages for sustainable development and be a concrete contribution of the G20 in the Agenda in the field of sustainable development for the period until 2030.

#### 6.7.4. The International Monetary Fund

In 2020, Russia being a creditor of the International Monetary Fund (IMF) continued to participate in the facilities of the Fund, including New Arrangements to Borrow and Bilateral Borrowing Agreements. These facilities serve as a second and third line of defense ensuring temporary addition after its quota resources in

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1 What You Really Need to Know about the SDR and How to Make it Work for Multilateral Financing of Developing Countries. URL: <https://www.tandfonline.com/doi/full/10.1080/05775132.2020.1802178>

2 Development of infrastructure and network interdependency; safe data exchange; research and development of digital technologies for health; application of digital technologies and solutions to secure economic activity in the wake of pandemic; ensure security and trustworthy online environment; support of MSME transition to the digital production system, e-commerce and digital business model.

case of need. Granted that the Bank of Russia extends funds to the IMF within the RF quota (from February 17, 216 at the period-end of the 14<sup>th</sup> general review of quotas it came to SDR 12,903.7 mn) on a constant basis and the IMF obligations to extend funds are timeless, the life term of these credit facilities are usually prolonged by Russia on proposed by the IMF terms.

Consequently, Russia has approved a doubling of the New Arrangements to Borrow approved by the IMF Executive Board on January 16, 2020.<sup>1</sup> According to this decision, Russia will participate in this facility until November 16, 2022 and potential RF obligations in their framework amounting to SDR 4,440.91 mn<sup>2</sup> will hit SDR 8,881.82 mn. The decision will become effective following the approval of corresponding procedures by all creditors at the national level (the targeted effectiveness date – January 1, 2021).<sup>3</sup> Furthermore, the terms of Russia's national agreement in the Bilateral Borrowing Agreements were extended by an additional year until December 31, 2020 with potential obligations of Russia not exceeding \$10 bn.<sup>4</sup> Russia's participation in the IMF credit facilities is important for increasing the Fund's resources the need for which has done up due to the COVID-19 pandemic but cannot be satisfied by raising quotas capital because the 15<sup>th</sup> general review of quotas has not been conducted and the current 16<sup>th</sup> general review has to be completed solely in 2023.

Russia is eligible for financial assistance via the IMF Rapid Financing Instrument. However, at present, there is no such need – Russia did not apply for financial assistance from IMF during the pandemic.<sup>5</sup> At the same time, given cross-border crisis effects, it is important for Russia to participate in the IMF facilities as a donor with the aim to minimize the crisis fallout in other countries.

2020 saw continued consultations between the IMF and Russia with technical assistance been provided on the basis of those consultations. An International Monetary Fund mission conducted remotely the 2020 Article IV annual consultations with the Russian authorities from November 9 till 23, 2020. At the end of the discussion, the mission issued the concluding statement assessing the undertaken measures and providing recommendations related to the current Russian economic policy. The idea behind the recommendations concentrates on the need to sustain efforts to address structural factors that constrain potential growth coupled with the implementation of measures counteracting pandemic-induced crisis. The mission highlighted that the Russian economy had demonstrated healthy recovery owing to adopted by the government measures.

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1 IMF Executive Board Approves Decisions to Implement a Package on Resources and Governance Reform. URL: <https://www.imf.org/en/News/Articles/2020/01/17/pr2010-nab-and-quota-imf-executive-board-approves-package-resources-governance-reform>

2 On credit agreements of the Bank of Russia with IMF. URL: <https://www.cbr.ru/StaticHtml/File/36568/NAB20170615.pdf>

3 IMF Executive Board Approves Decisions to Implement a Package on Resources and Governance Reform. URL: <https://www.imf.org/en/News/Articles/2020/01/17/pr2010-nab-and-quota-imf-executive-board-approves-package-resources-governance-reform>

4 2016 Bilateral Borrowing Agreements (about US\$ 433 billion): Terms Extended by an Additional Year to End-2020. URL: <https://www.imf.org/en/News/Articles/2019/11/05/pr19395-2016-bilateral-borrowing-agreements-about-us433bil-terms-extend-by-an-additional-yr-end2020>

5 Europe's COVID-19 Crisis and the Fund's Response. URL: <https://blogs.imf.org/2020/03/30/europes-covid-19-crisis-and-the-funds-response/>

At the year-end 2020, the IMF project the economy to contract by about 4% and to expand by 2.5% in 2021 assuming the COVID-19 situation gradually normalizes. The feasibility of a repeated imposition of tough restrictive measures coupled with persistent geopolitical tensions are among the main downside risks. In fiscal policy, the IMF recommends to continue policy aimed at combating the pandemic and to be ready to extend existing measures in case of deteriorated situation. The IMF experts also recommend “to consider reinstating the higher unemployment benefits while the crisis persists and until there is a meaningful recovery in employment, as the pre-crisis benefits are very low relative to the cost of living.”

Regarding monetary policy, with due regard for inflation projections to stay below the target level, further easing of the current policy measures is recommended. The IMF experts recommended the Bank of Russia to separate regular foreign currency purchases/sales under the fiscal rule earmarked at reducing disorderly market conditions. The banking sector noted the efficacy of measures to mitigate the consequences of the crisis, which are recommended to be gradually canceled against the background of normalization of the situation to preserve financial stability. It is paramount to focus on measures aimed to secure sustainable growth. In recent years, Russian GDP growth averaged barely 1.5%, stalling Russia’s convergence to advanced economy income levels. In view of this, still hold relevance previous IMF recommendations related to improvement of the business climate, raising competition within and across regions, and strengthen corporate governance of state enterprises. The national projects present opportunities to bolster potential growth in the economy should not be seen as a substitute for the important reforms, nor should they contribute to expanding the already large footprint of the state on the economy.<sup>1</sup>

In the context of Russia’s proactive participation in the IMF activities as a donor country and deployment of the Fund’s expert support, there is no progress in the areas of its reform that are relevant for Russia, including raising the share of quotas and votes in the IMF of our country and other countries with emerging economies and developing nations, revising the formula for calculating quotas, extending the list of reserve currencies and adjusting the composition of the SDR currency basket.

#### 6.7.5. The World Bank Group

In 2020, Russia prioritized cooperation with the World Bank Group (WBG) in the fields of information, scientific research and expert-analytical activities aimed at obtaining the WBG expertise for the improvement of financial regulation and introduction of world best practices.<sup>2</sup> Besides, as before the WBG institutes is providing a share of multilateral official assistance to Russian development.<sup>3</sup>

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1 Russian Federation: Staff Concluding Statement of the 2020 Article Mission. URL: <https://www.imf.org/ru/News/Articles/2020/11/23/mcs112420-russia-staff-concluding-statement-of-the-2020-article-iv-mission>

2 The World bank Group. URL: <https://www.cbr.ru/today/ms/smo/wb/>

3 Russia and the World Bank: International Development Assistance. URL: <https://www.worldbank.org/en/country/russia/brief/international-development#3>

Long-term issues remain in relations between Russia and the World Bank Group. In particular, in 2020, the approval process for new IBRD projects on the territory of Russia is still frozen. According to the data for December, the implementation of 5 projects continued, which were approved before 2014, the St. Petersburg economic development project was completed in 2020.<sup>1</sup> Restrictions on the interaction of the Russian Federation with other institutions of the WBG also in force since 2014, have remained. As in the case of the IMF, there is no progress on further reform of the World Bank including the issues advocated by Russia of raising the share of countries with emerging economies and developing nations in equity capital, as well as improving democratic governance structure of the Bank. Given the low feasibility of resolving these issues in the coming years, other multilateral development banks, such as the New Development bank and the Asian Infrastructure Investment Bank (AIIB), are becoming the principal partners for financing projects on the territory of Russia.

As for the wide-scale measures in the area of financing the fight against the COVID-19 pandemic worth of \$160 bn for 15 months, they would have low relevance for Russia even in case of the resumption of the WBG new activity in our country, since those funds are principally earmarked at assisting developing countries. The participation of Russian providers in the WBG projects to finance coronavirus vaccination in developing countries may be of particular interest. Furthermore, with due regard for the need to develop effective measures aimed at managing socio-economic pandemic-induced fallout, cooperation should be strengthened to use the research and expert-analytical potential of the World Bank, which is actively developing appropriate tools.

#### 6.7.6. The World Trade Organization

Over 2020, the Russian Federation proactively participated in the World Trade Organization (WTO) within the envisaged negotiation mechanisms including the Dispute Settlement Body. By December 2020, all in all Russia participated in 8 disputes as complainant, in 9 as respondent, and in 86 as third party.<sup>2</sup>

Russia continued participating in other negotiation formats. In 2020, Russia came out with a total of 97 statements and notifications (including collective ones) on the WTO negotiation platforms. Russian representatives were more active in coming out with statements within the informal working group on micro-, small and medium enterprises, agricultural committee, committee on sanitary and phytosanitary measures, and committee on technical barriers to trade. On February 7, 2020, Russia issued a statement within the initiative on Common statement on e-commerce. Notably, the contents of this statement are not to disclose.<sup>3</sup>

On March 24, 2020, the WTO Director-General Roberto Azevedo called on the WTO members to ensure publicity regarding trade measures put in place due to

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1 Projects in Russian Federation. URL: [https://projects.worldbank.org/en/projects-operations/projects-list?lang=en&searchTerm=&countrycode\\_exact=RU](https://projects.worldbank.org/en/projects-operations/projects-list?lang=en&searchTerm=&countrycode_exact=RU)

2 WTO, Disputes by member. URL: [https://www.wto.org/english/tratop\\_e/dispu\\_e/dispu\\_by\\_country\\_e.htm](https://www.wto.org/english/tratop_e/dispu_e/dispu_by_country_e.htm)

3 WTO Documents Database. URL: [https://docs.wto.org/dol2fe/Pages/FE\\_Search/FE\\_S\\_S006.aspx](https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S006.aspx)

the COVID-19 pandemic. In view of this, on March 25, 2020, the WTO launched a special information portal dedicated to trade aspects and pandemic fallout. Russia was among the first who submitted data on adopted trade measures. Over 2020, Russia submitted information on seven measures affecting trade in goods,<sup>1</sup> one – affecting trade in services,<sup>2</sup> and five – regarding trade-related intellectual property rights.<sup>3</sup>

Pursuant to Mr. Azevedo’s call to ensure publicity of cross border flows of goods, services, and investments,<sup>4</sup> the Russian Federation introduced urgent trade measures for a limited periods of time. For example, out of 7 measures affecting trade in goods about which Russia informed the WTO two measures were of protectionist nature: restrictions on export of medical goods and personal protective equipment. These measures were lifted on June 30 and September 30, 2020, respectively.<sup>5</sup> However, the Russian Federation has failed to provide to the WTO information of relief measures for domestic producers imposed during the COVID-19 pandemic<sup>6</sup> (only 34 members (21%) have shared this information with the WTO).<sup>7</sup>

Since the crisis outbreak, the RF Government adopted a number of resolutions regarding relief for businesses in various sectors of the economy: light,<sup>8</sup> electronic,<sup>9</sup> automobile<sup>10</sup> industries, and agriculture.<sup>11</sup> Moreover, funds were extended for employment support including in small and medium-sized businesses.<sup>12</sup>

- 1 COVID-19: Measures affecting trade in goods. URL: [https://www.wto.org/english/tratop\\_e/covid19\\_e/trade\\_related\\_goods\\_measure\\_e.htm](https://www.wto.org/english/tratop_e/covid19_e/trade_related_goods_measure_e.htm)
- 2 COVID-19: Measures affecting trade in services. URL: [https://www.wto.org/english/tratop\\_e/covid19\\_e/trade\\_related\\_services\\_measure\\_e.htm](https://www.wto.org/english/tratop_e/covid19_e/trade_related_services_measure_e.htm)
- 3 COVID-19: Measures regarding trade-related intellectual property rights. URL: [https://www.wto.org/english/tratop\\_e/covid19\\_e/trade\\_related\\_ip\\_measure\\_e.htm](https://www.wto.org/english/tratop_e/covid19_e/trade_related_ip_measure_e.htm)
- 4 Azevedo sees sharp fall in trade, calls for global solutions to COVID-19 crisis. URL: [https://www.wto.org/english/news\\_e/news20\\_e/dgra\\_25mar20\\_e.htm](https://www.wto.org/english/news_e/news20_e/dgra_25mar20_e.htm)
- 5 COVID-19: Measures affecting trade in goods. URL: [https://www.wto.org/english/tratop\\_e/covid19\\_e/trade\\_related\\_goods\\_measure\\_e.htm](https://www.wto.org/english/tratop_e/covid19_e/trade_related_goods_measure_e.htm)
- 6 COVID-19: Support measures. URL: [https://www.wto.org/english/tratop\\_e/covid19\\_e/trade\\_related\\_support\\_measures\\_e.htm](https://www.wto.org/english/tratop_e/covid19_e/trade_related_support_measures_e.htm)
- 7 Report on g20 Trade Measures (Mid-October 2019 to Mid-May 2020). URL: [https://www.wto.org/english/news\\_e/news20\\_e/report\\_trdev\\_jun20\\_e.pdf](https://www.wto.org/english/news_e/news20_e/report_trdev_jun20_e.pdf)
- 8 On approval of the Regulations for provision of the federal budget subsidies earmarked for reimbursement of part of costs incurred on credits service earmarked for raising volumes of products sale and strengthening competitiveness of Russian industrial goods. URL: <https://cron-koronavirus.pф/ai/doc/539/attach/wX3mTL3zasw3In86AHAaE2Pe8cX5ckaW.pdf>
- 9 On specifics of application in 2020 Rules for provision of the federal budget subsidies to Russian organizations financing part of costs incurred on the development of scientific and technical backlog in the development of basic technologies for production of priority electronic components in radio-electronic equipment. URL: <https://cтoпkopoнaвиpyc.пф/ai/doc/444/attach/KduExWbMNOO6vZ0ZI2gmt3jdohzZ8Hxw.pdf>
- 10 Order dated May 22, 2020 No. 1374-r. URL: [https://cтoпkopoнaвиpyc.пф/ai/doc/300/attach/rasporyaxhenie\\_ot\\_22\\_maya\\_2020\\_goda\\_1374-r.pdf](https://cтoпkopoнaвиpyc.пф/ai/doc/300/attach/rasporyaxhenie_ot_22_maya_2020_goda_1374-r.pdf)
- 11 On measures to ensure sustainable economic development. URL: <http://static.government.ru/media/files/kTj6vbMop2fN43iEZ16idfPSKriXYK5o.pdf>
- 12 On approval of Regulations for provision and distribution in 2020 of other intergovernmental fiscal transfers from the federal budget to budgets of the subjects of the Russian Federation, which are financed by the budget allocations from the reserve fund of the Government of the Russian Federation and aimed at co-financing expenditure obligations of the subjects of the Russian Federation emerging at the implementation of additional measures earmarked at the reduction of disruptions on the labor markets of the subjects of the Russian Federation. URL: <https://cтoпkopoнaвиpyc.пф/ai/doc/417/attach/dok.pdf>

In the wake of the pandemic, there are still problems associated not only with the effectiveness of the WTO as a productive institute that ensures the equitable participation of the Russian Federation in cross-border trade, but with a potential impact of the anti-crisis measures taken on the competitiveness of Russian enterprises in global markets.

The first block of problems reflects the institutional crisis of the Organization associated with the inability to deal with unilateral and protectionist trends demonstrated by its certain members. Both mounting contradictions between certain actors (the USA-China-the EU) and the lack of consensus between traditional groups of interests (advanced – developing countries) on the main issues of Doha round do not allow to achieve agreements able to ensure sustainability and integrity of regulatory regimes in the framework of multilateral trade system. Despite the fact that Russia repeatedly stated about its adherence to WTO central role in international trade, potential contribution of Russia in determining fundamental contradictions between the key participants of the system have not been significant.

The second block of problems is due to the objective impact of the pandemic on the growth rates of Russian economy and its foreign trade potential. Most likely, the imposed anti-crisis measures will not be enough to maintain an acceptable economic growth rates – the IMF projects a contraction of GDP by 4.1% by the end of 2020.<sup>1</sup> The decrease in economic activity in the country coupled with the unfavorable situation in the global energy markets, in turn, will lead to a reduction in the share of Russia in world trade. For example, according to the WTO data, in Q2 2020, Russian exports decreased by 37.5% and imports – by 52% which is the utmost decrease among all economies of the Group of Twenty regarding both indicators.<sup>2</sup>

#### 6.7.7. The World Health Organization

From the start of the crisis induced by the outbreak and proliferation of COVID-19, the Russian Federation considered the position and recommendations given by the World Health Organization (WHO) related to combatting the disease and measures aimed at containing its transmissibility. At the same time, Russia stressed the central coordinate role played by WHO in global efforts to combat COVID-19. For example, Russia supported the resolution adopted by the UN General Assembly on April 20, 2020 “International Cooperation to Secure Global Access to Medicines, vaccines and medical Equipment to face COVID-19” which “reaffirms the fundamental role on the United Nations system in coordinating the global response to control and contain the spread of the coronavirus disease COVID-19”.<sup>3</sup> The decision on extending additional funding for WHO was adopted on April 3, 2020. This resolution of the Government of the Russian Federation

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1 Russian Federation, IMF. URL: <https://www.imf.org/en/Countries/RUS#countrydata>

2 Report on g20 Trade Measures (Mid-May 2019 to Mid-October 2020). URL: [https://www.wto.org/english/news\\_e/news20\\_e/report\\_trdev\\_nov20\\_e.pdf](https://www.wto.org/english/news_e/news20_e/report_trdev_nov20_e.pdf)

3 Resolution of the UN General Assembly “International Cooperation to Secure Global Access to Medicines, vaccines and medical Equipment to face COVID-19”. URL: <https://undocs.org/ru/A/RES/74/274>

envisaged “payment of a single additional voluntary contribution to the World Health Organization for the implementation of measures to combat the new coronavirus infection in the amount of \$1 mn.”<sup>1</sup>

Besides that, Russia reiterated on the unacceptability of any attempts to politicize WHO activity. In the context of the US President Donald Trump to leave the World Health Organization, the Foreign Minister of the Russian Federation Sergey Lavrov highlighted the effectiveness of collective efforts and Russia’s intention to continue multilateral cooperation to combat the coronavirus infection in WHO format.<sup>2</sup>

At the end of the day, restrictive measures imposed by the Russian Federation to face the spread of the infection have corresponded WHO recommendations. For example, restrictions envisaged by the Executive Order of the President dated April 2, 2020 on the measures to ensure health security of the population due to the proliferation of the coronavirus infection<sup>3</sup> correspond to WHO recommendations on the principles of adjustment of measures to protect the health of the population and social measures released on April 16, 2020<sup>4</sup> (in particular, measures to minimize the movements of the citizens and consider halting of some types of activities associated with high risk of infection transmission when there is no chance to provide the necessary hygienic measures).

The recommendations issued by the Ministry of Health of the Russian Federation regarding prophylactics, diagnosis and treatment of COVID-19 also refer to the WHO materials, in particular, to Temporary Recommendations for the rational use of personal protective equipment and Clinical Recommendations for treating patients with severe acute respiratory infection.<sup>5</sup>

The decision to impose state border travel restrictions was adopted on March 27, 2020. That said, it should be noted that at the early stage of the pandemic WHO did not recommend any travel restrictions stressing low effectiveness of significant negative economic effect of total ban on cross border travel.<sup>6</sup>

The World Health Organization also commended Russia’s contribution to the global effects to combat COVID-19. At a meeting between WHO Regional

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1 Resolution of the Government of the Russian Federation dated April 3, 2020 No. 863-r. URL: <http://publication.pravo.gov.ru/Document/View/0001202004060017>

2 Interview of the Foreign Minister of the Russian Federation S.V. Lavrov for Russian and foreign media in videoconference format on urgent issues of international agenda, Moscow, April 14, 2020. URL: [https://www.mid.ru/vsemirnaa-organizacia-zdravoohranenia-voz-/-/asset\\_publisher/u11zRQA4uRzH/content/id/4099053](https://www.mid.ru/vsemirnaa-organizacia-zdravoohranenia-voz-/-/asset_publisher/u11zRQA4uRzH/content/id/4099053)

3 Executive Order of the President of the Russian Federation dated April 2, 2020 on measures to ensure health security of the population due to the spread of the coronavirus infection. URL: <https://stopкоронавирус.рф/ai/doc/87/attach/0001202004020025.pdf>

4 The WHO recommendations on the principles of adjusting measures aimed at protecting the health of the population and social measures. URL: <https://www.who.int/publications-detail/considerations-in-adjusting-public-health-and-social-measures-in-the-context-of-covid-19-interim-guidance>

5 Temporary methodological recommendations on prophylactics, diagnosis and treatment of the novel coronavirus infection. URL: [https://stopкоронавирус.рф/ai/doc/332/attach/03062020\\_mR\\_COVID-19\\_v7.pdf](https://stopкоронавирус.рф/ai/doc/332/attach/03062020_mR_COVID-19_v7.pdf)

6 A Joint Statement on Tourism and COVID-19: UNWTO and WHO Call for Responsibility and Coordination. URL: <https://www.who.int/ru/news-room/detail/27-02-2020-a-joint-statement-on-tourism-and-covid-19---unwto-and-who-call-for-responsibility-and-coordination>



Director for Europe Hans Kluge and Russian Foreign Minister Sergey Lavrov held on September 22, 2020, Mr. Kluge commended Russia for provision to WHO information on the vaccine development and also highlighted an important role been plaid by Rospotrebnadzor in the activities of the Global Infection Prevention and Control Network and countermoves including combating COVID-19.<sup>1</sup>

On October 2, 2020, Russia and WHO signed a memorandum of understanding for a contribution by the Russian Federation an amount of exceeding \$15 mn to support priority health actions including on implementation of the COVID-19 Strategic Preparedness and Response Plan.<sup>2</sup>

Consequently, Russia and WHO demonstrate a rather high level of mutual support in their efforts to combat COVID-19 both in terms of an official discussion and setting up effective cooperation. Exchange of information on development of vaccine becomes the principal area of collaboration to date. Russia provided WHO information within the Global Vaccine Safety Initiative. In late October 2020, the Russian Fund of Direct Investment (RFDI) submitted to WHO a request for the registration and requalification of COVID-19 vaccine Sputnik V.<sup>3</sup> WHO confirmed the request receipt and started negotiations with RFDI and Gamalei Center behind the vaccine.<sup>4</sup> On December 8, 2020, Russia submitted an entry to WHO on a second vaccine – EpiVacCorona developed by Novosibirsk research center Vector.<sup>5</sup>

#### 6.7.8. The United Nations Organization

The central role played by the United Nations Organization (UNO) in the development and implementation of joint efforts to mitigate the consequences of the pandemic has determined a proactive participation of Russia in the coordination of plans to weather the current crisis on the platform of the Organization and their practical implementation.

In March 2020, Russia submitted for discussion at the UN General Assembly a draft resolution on international solidarity to combat coronavirus. The Russian draft confirmed the central role of WHO in global response to the pandemic as well as the need to surmount the conflict of interests in the field of world trade and rejection of economic sanctions as means of pressure in the interests of rapid recovery of countries hit by the pandemic.<sup>6</sup> Proposed by Russia draft was rejected – the decision was blocked by delegations of Ukraine, Georgia, Great

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1 Europe's regional director begins visit to the Russian Federation with commitment to global solidarity in fight against COVID-19. URL: <https://www.euro.who.int/ru/health-topics/health-emergencies/coronavirus-covid-19/news/news/2020/9/whoeuropes-regional-director-begins-visit-to-russian-federation-with-commitment-to-global-solidarity-in-fight-against-covid-19>

2 The Russian Federation steps up support to WHO for global health security and non-communicable diseases. URL: <https://www.who.int/ru/news/item/02-10-2020-the-russian-federation-steps-up-support-to-who-for-global-health-security-and-noncommunicable-diseases>

3 Russian request for WHO prequalification of Sputnik V vaccine was one of the first since the requests start date. URL: <https://rdif.ru/fullNews/5962>

4 WHO eyes granting emergency use listing for Sputnik V vaccine. URL: <https://news.ru/en/society/who-eyes-granting-emergency-use-listing-for-sputnik-v-vaccine>

5 WHO received Vaccine EpiVacCorona documents for review. URL: <https://tass.ru/obschestvo/10207795>

6 Russia proposed the UNO to adopt resolution to combat coronavirus. URL: <https://www.kommersant.ru/doc/4307688>

Britain, the USA, and the EU.<sup>1</sup> Discussion at the General Assembly platform resulted in the adoption of a draft resolution proposed by Ghana, Indonesia, Lichtenstein, Norway, Singapore, and Switzerland.<sup>2</sup>

Unlike the Russian draft resolution, the adopted resolution is limited to general calls for joint efforts of all relevant stakeholders to work together “at the national, regional and global levels” and acknowledging the crucial role played by the World Health Organization.” Central elements of the Russian draft – rejection of trade wars and unilateral sanctions with the corresponding decision of the UN Security Council, counteracting financial speculations with essential goods and reaffirm the need to disseminate reliable information about the coronavirus have not been considered.

Russia was among the first countries to back the call of the General Secretary Antonio Guterres to cease all internal and international conflicts to stabilize humanitarian situation in the wake of the spread of the COVID-19 pandemic.<sup>3</sup> At the same time, our country declared in favor of the suspension of unilateral sanctions “that seriously limit the potential of the country to react to the challenges induced by the pandemic.”<sup>4</sup> Despite comprehensive support for the call to ceasefire, it took three months to coordinate common position of the international community at the UN Security Council which was due to different views of the UN Security Council members on the issue of resolving a number of regional conflicts as well as on the activities of non-governmental paramilitary forces as well as terrorist groups. The final version of the resolution adopted by the Security Council included an important adjustment that declared durable humanitarian pause for at least 90 consecutive days does not apply to military operations against certain Council-designated terrorist groups,”<sup>5</sup> which was favorably assessed by Russia. Nevertheless, provisions to suspend sanctions promoted by Russia were again taken out of the final version of the text.

In the interests to strengthen the fight against the spread of the pandemic and reconstruction of affected countries, the United Nations announced fundraising on the basis of several international programs. In this context, the Global Humanitarian Response Plan for COVID-19 with funding requirements of \$9.5 bn became the central UN program. As of December 2020, of the required sum contributions amounted to \$3.81 bn and contribution of the Russian Federation came to \$1mn.<sup>6</sup> In 2020, Russia also transferred to the UN budget around \$74.1 mn according to the scale of regular country contributions.<sup>7</sup>

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1 Russian draft of the UN GA resolution to combat pandemic has been blocked. URL: <https://www.interfax.ru/world/702322>

2 Global solidarity to fight the coronavirus disease 2019 (COVID-19). A/RES/74/270. Resolution adopted by the General Assembly on April 2, 2020. URL: <https://undocs.org/ru/A/RES/74/270>

3 UN chief called for global ceasefire to fight the common enemy – COVID-19 URL: <https://news.un.org/ru/story/2020/03/1374872>

4 Statement on motives for to vote on the draft resolution of UN SC to fight the coronavirus pandemic. URL: [https://russiaun.ru/news/eov\\_covid\\_010720](https://russiaun.ru/news/eov_covid_010720)

5 Resolution 2532 (2020), adopted by the Security Council on July 1, 2020. URL: [https://undocs.org/ru/S/RES/2532\(2020\)](https://undocs.org/ru/S/RES/2532(2020))

6 Russian Federation, Government of. URL: <https://fts.unocha.org/donors/3006/emergencies/2020>

7 Assessment of Member States’ advances to the Working Capital Fund for 2020 and contributions to the United Nations regular budget for 2020. URL: <https://undocs.org/en/ST/ADM/SER.B/1008>

In 2020, Russia supported the UN system organizations activities on the territory of the Commonwealth of Independent States (SIC) to resolve humanitarian issues escalated in the wake of restrictions imposed due to COVID-19 pandemic. Russia transferred around \$8 mn to implement targeted relief program for households in need in Kirgizia through the UN World Food Program (WFP).<sup>1</sup> It was also announced that Russia will extend \$21.2 mn to implement the UNWFP project in Tajikistan aimed at providing meals for Tajik school children.<sup>2</sup>

Resolution on the humanitarian crisis in Syria was discussed in the UN along with the issue of combating the COVID-19 pandemic. From 2014 the flows of international humanitarian aid deliveries for the Syrian people went through the limited number of border crossings deployed along the borders with neighboring countries. In June 2020, Russia submitted a draft resolution envisaging liquidation of a number of current border crossings due to the extension of territory controlled by the government troops and directing supply chains through the controlled regions of the country to strengthen food security of the Syrian Arab Republic. Along with the issue of termination of the current international border crossings mandates, the Russian draft envisaged revision of sanctions regime imposed on Syria. A draft resolution supported by four members of the Security Council was not adopted due to its failure to obtain the required number of votes and the strong stand of the Federal Republic of Germany in relation to sanctions.<sup>3</sup> Earlier, Russia and China vetoed a draft resolution presented by Belgium and Germany which extended mandate of two current border crossings until one more year.<sup>4</sup>

In 2020, Russia consistently pursued the policy to jointly counter the global crisis. A number of Russian initiatives faced opposition by our foreign partner driven by political motives when proposing alternative occasionally impractical or not corresponding to changing terms and conditions of the projects. However, even in the context of existing constraints, Russia significantly contributed in the development of basic parameters of intergovernmental cooperation on fight against COVID-19 pandemic as well as in the implementation of coordinated multilateral practical steps.

#### 6.7.9. The Organization of the Petroleum Exporting Countries

In 2020, the activities of the Organization of the Petroleum Exporting Countries (OPEC) significantly influenced the situation in the Russian economy due to its although gradually declining dependence on the export of raw materials and correspondingly on the oil prices fluctuations.

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1 Russian Federation provides assistance to UNWFP to help poor families in Kyrgyzstan. URL: <https://ru.wfp.org/news/rossiyskaya-federaciya-pomogaet-vpp-oon-podderzhivat-bednye-semi-v-kyrgyzstane>

2 Russia will allocate over \$21 mn for the development of school meals system in Tajikistan. URL: <https://ru.wfp.org/news/rossiya-vydelit-bolee21-mln-dollarov-ssha-dlya-razvitiya-sistemy-shkolnogo-pitaniya-v>

3 FRG explained why voted against Russian resolution on Syria. URL: <https://ria.ru/20200709/1574088820.html?in=t>

4 UN SC did not support Russian resolution on Syria. URL: <https://ria.ru/20200709/1574086743.html>

In recent years, the situation in the oil market was relatively stable following the OPEC+ Declaration of Cooperation (DoC) to adjust downwards their overall crude oil production signed on December 10, 2016.<sup>1</sup> The deal has been rather successful in the span of three years, however against the backdrop of the conflicting positions of Russia and Saudi Arabia (Saudi Arabia insisted on a further reduction in their overall crude oil production by an additional 1.5 mb/d, and Russia opposed), restrictions on oil production were lifted on April 1, 2020, which led to a drop in price of crude oil by around 30% to the lowest levels seen in a span of 18 years. However, in the context of the spread of the coronavirus pandemic, which caused a sharp drop in demand and additional pressure on prices, the OPEC+ deal participants signed a new deal on price cut effective from May 1, 2020 until May 2022, after which prices stabilized. The deal provided for a gradual recovery of oil production, subject to the normalization of the market situation. Originally the deal went for a 9.7 mb/d cut in the oil production for three months through July. From August through December 2020, the OPEC+ producers committed to adjust downwards their overall crude oil production by 7.7 mb/d. It will be followed by a 5.8 mb/d adjustment for a period of 16 months, from January 1, 2021 to April 30, 2022.<sup>2,3</sup>

However, against the backdrop of the repeated deterioration of the situation with the spread of COVID-19, the participants of the Declaration of Cooperation discussed a more gradual recovery of crude oil production from the next year. Finally, on December 3, the DoC participating countries committed to adjust downwards the overall crude oil production by only 0.5 mb/d from 7.7 mb/d to 7.2 mb/d against the originally planned downward adjustment by 1.9 mb/d. This decision was a compromise between Saudi Arabia proposing to put off the January reduction by 3-6 months and Russia whose crude oil producers favored a gradual (by 0.5 mb/d monthly reduction) achievement of the original plan of downward adjustments by 5.8 mb/d. The DoC participating countries agreed to hold monthly meetings to assess market conditions and decide on further production adjustments for the following month, with further monthly adjustments being no more than 0.5 mb/d.<sup>4</sup>

Reduced oil supply owing to the OPEC+ deal and projected oil price growth on the back of the mass COVID-19 vaccines rollout coupled with gradual easing of restrictions including in the field of transportation, should lead to the market stabilization and price growth on crude oil in the future. Such situation is acceptable for Russia, since the oil price of around \$42 bbl and over ensures budget receipts from oil export revenues to be at the planned level.<sup>5</sup> In view of

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1 OPEC and non-OPEC Ministerial Meeting. URL: [https://www.opec.org/opec\\_web/en/press\\_room/3944.htm](https://www.opec.org/opec_web/en/press_room/3944.htm)  
2 The 9th (Extraordinary) OPEC and non-OPEC Ministerial Meeting concludes. URL: [https://www.opec.org/opec\\_web/en/press\\_room/5882.htm](https://www.opec.org/opec_web/en/press_room/5882.htm)  
3 The 10th (Extraordinary) OPEC and non-OPEC Ministerial Meeting concludes. URL: [https://www.opec.org/opec\\_web/en/press\\_room/5891.htm](https://www.opec.org/opec_web/en/press_room/5891.htm)  
4 The 12th OPEC and non-OPEC Ministerial Meeting concludes. URL: [https://www.opec.org/opec\\_web/en/press\\_room/6257.htm](https://www.opec.org/opec_web/en/press_room/6257.htm)  
5 A meeting on the situation of global energy markets. URL: <http://kremlin.ru/events/president/news/63145>

this, Russia will continue to back up agreements on production cut within OPEC+<sup>1</sup>, however the national oil sector will promote a gradual easing of restrictions to raise revenues. For Saudi Arabia, whose budget is balanced at \$80 bbl, i.e. twice as high as for Russia, on the contrary, it is advantageous to continue maintaining restrictions at the current level or even tighten them. The divergence of positions poses risks for cooperation between Russia and OPEC member states within the OPEC+ group, however, as the 2020 experience has demonstrated, the parties can achieve compromise solutions.

#### 6.7.10. The European Union

There is a stand-off in the relationship between Russia and the European Union (EU) in 2020, and there was no tendency to improve and resume cooperation in important fields.

In March 2020, the President of the Russian Federation Vladimir Putin called for a moratorium on sanctions during the coronavirus pandemic. However, in July, the EU's personal and sectoral sanctions were extended yet against and it was noted that they do not affect the fight against the pandemic. Obviously, there was no progress in this area.

The EU approved a number of strategic documents that envisage the development and adoption of legal norms that directly affect the Russian interests. In early 2020, the European Commission unveiled the new European Digital Strategy. In contrast with the previous stage, that was tasked to total harmonization of internal market and remove remaining barriers in digital sphere, the new document openly states on the EU aspiration and intention to become a world leader in the development and regulation of digital economy. That said, certain planned normative documents demonstrate active polarization and securitization and digital environment. The European Democracy Action Plan in the field of democracy aimed to improve the resilience of democratic systems, support media pluralism and address the threats of external intervention in European elections is a key example of this process.<sup>2</sup> They do not hide in the EU that this document will principally protect Russian interference in the EU international affairs and their member states. The EU is on track to promote its norms and values on international platforms and through the inclusion of those values in partner agreements including within the European Neighborhood and Partnership Policy. With due regard for current contradictions, polarization of digital environment hampers cooperation between Russia and the EU as well as poses risks for adoption of unfavorable for Russia legal norms including on international level due to the EU's significant influence. The European Green Deal is the new growth strategy for Europe to become climate-neutral continent by 2050, which was announced in December 2019. A European Climate Law was legislatively proposed under the Green Deal implementation. This means

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1 Telephone conversation with the Crown Prince Muhammed bin Salman bin Abdul-Aziz Al Saud. URL: <http://kremlin.ru/events/president/news/64239>

2 COM (2020) 67 final: Shaping Europe's digital future. URL: [https://ec.europa.eu/info/sites/info/files/communication-shaping-europes-digital-future-feb2020\\_en\\_3.pdf](https://ec.europa.eu/info/sites/info/files/communication-shaping-europes-digital-future-feb2020_en_3.pdf)

achieving net zero emissions for EU countries as a whole by 2050. By June 2021, proposal on required changes into instruments linked to climate legislation should be formulated including foreign policy tools. Moreover, adjustment of current EU Energy Taxation Directive has been envisaged “with focus on ecological aspects” that can include implementation of differentiated taxation depending on energy source “carbon trace.” The EU plans to put in place carbon border adjustment mechanism, which envisages taxation of carbon-intensive imports from countries without mandatory payments for emissions. The new regulation will affect trade and economic relations of Russia with the EU both directly and indirectly. The BCG experts have already estimated losses of Russian exporters to the tune between €2.8 and €6 bn per year.<sup>1</sup> This is fraught with the loss of a part of the oil market to Saudi Arabia whose production costs are lower as well as a serious impact on producers of fertilizers.

The implementation of the Nord Stream 2 project was recently an important area of cooperation between Russia and the EU. Despite the existing contradictions, calls from certain countries and the European Parliament to ditch the project coupled with the US active counteraction, which was expressed in the adoption of sanctions against all companies that participate in the project participation at any stage, the cooperation was not completely terminated. Imposed US sanctions angered the EU and its members and were perceived as a direct interference in internal affairs. Even the European Parliament that has adversely perceived the project, stressed that its future will be decided in Europe and not in Washington. The completion of work on the project and its launch are necessarily to increase from gas exports, as well as to maintain cooperation important both for Russia and the EU.

Taxation of digital economy is one of important areas that was on the table in 2020 and where the EU and Russian interests coincide. Both Russia and the EU can obtain additional benefits and revenues to the budget when taxation of significant digital presence is put in place. The EU proposal encompassing taxation of large companies coincide with the interest of Russia: raise budget revenues and not subject their companies to additional tax burden. That said, the EU influence in OECD which is the principal platform for developing the reform is markedly higher than Russia's. Accordingly, could have used notable EU influence to promote its interests.

Russia and the EU relations do not demonstrate positive dynamic for a while and 2020 was not an exception. Nevertheless, total termination of cooperation does not correspond to Russian interests. It is paramount to proceed with Nord Stream 2 and general cooperation in the energy sphere. It is feasible to promote an idea to decouple sustainable green energy projects from the sanctions. At the same time, it is necessary to develop carbon regulation agenda in Russia and stop seeing in it only a threat for Russian interests and analyze potential benefits. This will allow to minimize additional duties in case of the implementation of carbon border adjustment mechanism in the EU. China has already been working in this

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<sup>1</sup> Carbon challenge for Russian exporters. URL: <https://www.bcg.com/ru-ru/press/29july2020-carbon-challenge-to-russian-exporters>

area understanding the for EU development of green energy is already a priority direction for general economic development. Source of growth, technological and normative leadership. Finally, it is important to actively develop the digital agenda, including within EAEU, in order to incorporate integration partners in the common system of digital infrastructure and regulation, so as not to concede to the EU positions in the key regions for Russian foreign policy.

#### 6.7.11. The Eurasian Economic Union

The development of the Eurasian Economic Union (EAEU) is one of central fields of Russian foreign policy. In 2020, despite many barriers, the process of expanding and deepening integration within the Union went on.

The fight against the pandemic and its fallout was one of the key areas for cooperation in 2020. On April 10, members of Eurasian Intergovernmental Council adopted a packet of measures to ensure the vital needs of the population, maintain mutual trade, and free movement of goods in the context of COVID-19 pandemic. The block of urgent measures includes the creation of a “green corridor for supplying critical goods as well as introduction of single temporary restrictions on export and temporary reduction of zeroing out of import customs duties on components and materials for specific industries. The participants coordinated systemic measures aimed at creating conditions for the recovery and further economic development.<sup>1</sup> On June 10, the Comprehensive plan to prevent the spread of COVID-19 and other infectious diseases was adopted.<sup>2</sup>

In 2020, the main objective of the EAEU development centered in coordination of strategic directions for developing the Eurasia economic integration until 2025. The draft document went through several stages of coordination, but so far was not approved. Strategic directions include general provisions and 330 measures and mechanisms grouped into 11 system blocks. The document hardly can be called a breakthrough. It only partially expands national mandates and does not ensure a qualitative comprehensive integration mainly focusing on the development of certain narrow spheres or projects on priority fields of cooperation such as trade and customs regulation, macroeconomic policy and finance, industry and agriculture, energy, digital economy, and transportation. The Strategy implementation will complete shaping common market raising effectiveness of its regulation, increased quality of customs regulation and administration, ensuring quality guarantees and security of goods, formation of the EAEU digital space, setting up of mechanisms for targeted support of economic development, providing incentives for scientific and technical progress, raising efficacy of the EAEU institutes, deployment of mechanisms of cooperation in the sphere of education, public health, tourism and sport, involvement of EAEU in one of the most important development centers in modern world.<sup>3</sup>

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1 Intergovernmental Council approved urgent anti-crisis measures to stabilize, restore and further develop the EAEU countries' economies. URL: <http://www.eurasiancommission.org/ru/nae/news/Pages/10-04-2020-1.aspx>

2 EEC Board approved draft comprehensive action plan to prevent spreading coronavirus in EAEU. URL: <http://www.eurasiancommission.org/ru/nae/news/Pages/10-06-2020-01.aspx>

3 Draft document defining strategic directions for development of Eurasian economic integration until 2025. URL: [https://docs.eaeunion.org/docs/ru-ru/01427742/err\\_25112020\\_166](https://docs.eaeunion.org/docs/ru-ru/01427742/err_25112020_166)

New measures were adopted within the implementation of the EAEU digital agenda until 2025. On January 31, a time-phased action plan was approved for forming the ecosystem of digital transport corridors. In the framework of its implementation, the EEC Council approved a list of measures implementation of which is required to form and launch the ecosystem of digital transport corridors. The project is aimed at refusing paper support for transport and logistics operations, creating common standards for transport and logistics services and switching to an end-to-end integrated surveillance system, which removes much of the administrative burden from carriers.<sup>1</sup> Three more processes of interstate electronic interaction in the customs sphere as well as a process of customs tariff and non-tariff regulation have been “digitalized” and put into effect. Data on these processes will be transmitted and processed by the Union’s integrated information system.<sup>2</sup>

Cooperation on issues of export trade development got momentum. On October 9, the Eurasian Intergovernmental Council adopted disposition” On joint export development measures.” The Heads of Governments of the EAEU Member States, jointly with the Commission and the Eurasian Development Bank, were set a task to explore the possibility to expand export support instruments, primarily for jointly manufactured products. As for export credit support, it is suggested to explore, based on the EDB, the issue of forming a resource base and creating financial products to support transactions and projects with an integration effect in the Member States’ national currencies. For the purpose of export insurance support, it is suggested to explore the issue of creating a supranational reinsurance company or the Eurasian reinsurance pool to form a mechanism for reinsuring part of the risks.<sup>3</sup>

Development of integration in industrial area went on. The EAUS countries approved the Union’s industrialization map. The document encompasses information on 177 major investment industry projects in 21 economic sectors totaling \$194.5 bn. The map also indicates more than 500 technological directions in 30 industries the Union requires import substitution.<sup>4</sup> Shaping up EAEU common exchange space was on the table.<sup>5</sup> It was designed to strengthen the investment attractiveness of financial markets and enable attracting additional resources to the Member States’ national economies.

Moreover, there was a pent-up demand for introduction of mechanisms and programs for targeted financing of the EAEU catch-up economies in 2020. The Kirgiz Republic submitted the request and added to the draft of the Strategic

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1 The EEC Council approved a list of measures implementation of which is required to form and launch the ecosystem of digital transport corridors. URL: [http://www.eurasiancommission.org/ru/nae/news/Pages/24\\_11\\_2020-1.aspx](http://www.eurasiancommission.org/ru/nae/news/Pages/24_11_2020-1.aspx)

2 The Union digitalized four more intergovernmental processes. URL: <http://www.eurasiancommission.org/ru/nae/news/Pages/28-04-2020-3.aspx>

3 The EAEU countries will jointly encourage export trade. URL: <http://www.eurasiancommission.org/ru/nae/news/Pages/2020-10-09-6.aspx>

4 EAEU countries approved Union’s industrialization map. URL: [http://www.eurasiancommission.org/ru/nae/news/Pages/25\\_11\\_2020-1.aspx](http://www.eurasiancommission.org/ru/nae/news/Pages/25_11_2020-1.aspx)

5 EEC Board approved roadmap for forming Eurasian Economic Union’s common exchange space. URL: [http://www.eurasiancommission.org/ru/nae/news/Pages/06\\_11\\_2020-2.aspx](http://www.eurasiancommission.org/ru/nae/news/Pages/06_11_2020-2.aspx)



integration development directions the need to create a new institution for development and support of the EAEU as well as introduction of mechanism and programs for targeted financing. In the course of analyzing this proposal a possibility of creation of The Eurasian direct investment fund on the basis of the Astana International Financial Center (AIFC) was explored.<sup>1</sup>

In 2020, the EAEU faced the task to form strategic integration development directions and implementation of already launched initiatives. The pandemic outbreak has added to the list of objectives the fight against the spread of the virus, as well as coordination of measures to weather economic crisis. The Committee's response to the pandemic outbreak was rather swift, and it was possible to agree on the necessary trade policy measures. The intergovernmental cooperation was successful, and measures to weather the crisis were agreed upon. The implementation of previously launched initiatives went according to plan, new projects and initiatives were on the table, and cooperation with the Eurasian development bank was strengthened. The coordination of strategic integration development directions has not been completed, although the current draft document can not be considered a breakthrough. It will allow to resolve the problem of developing cooperation on current substantive projects, but it will not manage to lay the foundation for a qualitative extension and deepening of integration. Thus, another chance to ensure the functioning of a real, rather than a declared economic union is being wasted, which means that in the next 5 years, the EAEU should not be expected to make a breakthrough in development.

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The COVID-19 pandemic has tested society, economy national institutions and international organizations, and have led to the worst global recession since the Great Depression and posed a threat to the implementation of the sustainable development agenda until 2030. The global crisis requires joint efforts. Russia has consistently called for the development and implementation of coordinated and solidary solutions aimed at protecting human life, jobs and livelihoods of the population, and maintaining economic recovery. At the same time, Russia continues to work with its partners to achieve long-term solutions to strengthen the international trade system and the global monetary and finance architecture, eradicate poverty and eliminate inequality, and ensure sustainable development and inclusive growth. In general, Russia managed to balance the urgent agenda and long-term objectives in the framework of international institutions.