

Current Problems of Russian Economy

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Abstract—In order to implement the breakthrough scientific, technological and socio-economic development of the Russian Federation, President V. Putin in May 2018 issued a decree "On the national goals and strategic objectives of the development of the Russian Federation for the period up to 2024". According to this decree, by the end of the next presidential term of V. Putin, Russia should enter the TOP-5 of the largest economies in the world and the country's GDP growth should exceed the global level [1]. In pursuance of the decree of the head of state, the government has developed 12 national projects, the implementation of which, in the opinion of Prime Minister D. Medvedev, makes it possible to accomplish the daunting tasks of breakthrough development, a sort of economic leap or economic miracle. For example, the national project "Digital Economy of the Russian Federation", written in the document, "increases the competitiveness of the country, the quality of life of citizens, ensures economic growth and national sovereignty" [2]. In this article, the authors attempted to analyze the main current problems of the Russian economy in order to show which "baggage" was to be eliminated in the near future, which priority tasks were to be solved in order to make a planned breakthrough in socio-economic development and get into the TOP-5 largest economies in the world.

Keywords—presidential decree; ambitious plans; problems in the economy

I. INTRODUCTION

President Vladimir Putin hopes that business will help the government in the implementation of national projects [3]. However, quite a lot of acute problems have accumulated in relations between the government and business in Russia. President V. Putin will have to solve them in the new six-year term if he intends to fulfill his election promises.

The growth of the Russian economy following the results of the last year was lower than the official forecast of the government [4]. The growth rate of the Russian economy over the past 5 years (2014-2018) has been very low. All these years, the economy stood in one place, did not develop.

This and many other similar facts indicate a slowdown in the development of the Russian economy. Its condition can be completely characterized by the term "zero growth", which has been often used recently. The Economic Dictionary refers the term "zero growth" to an economy in which "there is no expansion of activity". According to a number of economists, the prolonged recession (slowing or falling of GDP growth rates) is a consequence of the global financial and economic crisis of 2008–2009, the impact of which in Russia was the heaviest among the G-20 countries. As a result of this crisis, not only the volume of GDP decreased, but also the stock market experienced a 4 times decrease, the budget revenues dropped sharply, industry declined, the recorded unemployment increased and investments reduced significantly [5, p.535].

In 2010-2012 there was a recovery of the economy, and the country's leadership decided not to change anything significantly despite the fact that the past crisis highlighted many shortcomings in economic policy. There was not enough political will to implement the long overdue cardinal changes based on the restructuring of the economy, focused on commodity exports.

Due to the lack of significant changes in the country, in 2013 the stagnation began which after the introduction of sanctions and the fall in oil prices in 2015–2016 turned into recession. The decline of the economy in 2017-2018 began to be gradually overcome, but on the whole Russia did not manage to overcome the prolonged stagnation in the economy. This conclusion is confirmed by the fact that over the last decade (2009-2018) Russia's GDP on average did not exceed 1% per year. During these ten years, the main economic indicator of our country has grown only by 7.2% [6].

It should be noted that due to the high world prices for Russian raw materials in the early 2000s, the overall raw materials economy showed a more substantial GDP growth rate. Thus, in 2000, as compared to the crisis year of 1999, it made up 10%, in 2003 as compared to 2002 it made up over 7.3%, in 2004 – over 7.2%, and in 2006 and 2007 years the

growth made up 8% annually. But even these quite acceptable indicators of economic growth in some “zero” years did not help to solve the problem of doubling GDP in 10 years, set by President V. Putin in 2003. “Over the decade we must at least double the gross domestic product of the country. Doubling GDP is a systemic and, of course, large-scale task to perform”, the president announced in his Message to the Federal Assembly on May 16, 2003 [7].

According to statistics, since 2003 to 2013 the real GDP growth in the Russian Federation, with account of inflation, was only 48.2% [8]. During the same period, another developing country, China, increased its GDP by not even 2 but more than 4 times. According to forecasts, in 2018 China’s gross domestic product may reach about \$ 13.2 trillion, while Russia’s GDP will increase its figure of 1.267 trillion dollars (2017) by only 1.5% [9] and, according to experts, will reach about 1.3 trillion, which is 10 times less than the main economic indicator of China. The main reason for the rapid development of the Chinese economy is, in our opinion, the effectiveness of public administration. The leadership of this country was able to optimally combine the advantages of socialism with market relations in the implementation of economic reforms in the once backward country. The economic reforms initiated by Deng Xiaoping and carried out by political leadership largely contributed to China’s booming economic growth. So, in only 20 years – from 1978 (the beginning of economic reforms) to 1997 – this country’s GDP increased by almost six times (more precisely, by 5.7 times), growing at an average by 9.6% per year. During the same period, the GDP per capita in China increased by 4.4 times and the labor productivity by 3.6 times. During the same years, Russia’s GDP decreased by 30%. While in 1978 the Chinese GDP was 23% lower than the Russian GDP, in 1997 it was already exceeding the Russian GDP by 6.2 times [10].

Of course, one can name some negative factors that influenced the economic development of Russia, such as the anti-Russian sanctions and the fall in oil prices, etc. However, the main reason for our economic failures of the last ten years is not the anti-Russian sanctions and the fall in world oil and gas prices (although this played a negative role as well), but in the accumulated distortions in the economy, the lack of structural reforms and the inefficiency of state governance. That’s where the huge dependence on world prices for hydrocarbons and other raw materials, budgetary imbalances, underdevelopment of small business and medium-sized businesses and other problems result from.

The lack of timely structural reforms combined with a weak political will of the leadership in solving the accumulated economic problems has led to stagnation of the Russian economy and society as a whole [11, p. 712-713].

And in order to get into the top five largest economies in the world by nominal GDP, it is necessary to catch up with and overtake the UK, which closes the TOP-5. For this purpose it is necessary to increase GDP by 16% per year, increasing the growth rates several times. However, even according to the most optimistic forecasts of the Ministry of Economic Development of the Russian Federation, in 2019 the Russian economy will be able to increase the production of goods and

services by only 1.3-1.5%, which does not correspond to the objectives of the economic breakthrough formulated by President V. Putin on May 7, 2018

Implementing the presidential decree, the government as a whole develops more and more new plans and programs. And when it cost the government 20 trillion rubles to carry out national projects for the remaining 5 years, arising from the presidential decree in May, the money for this purpose was taken not from the accumulated gold and currency reserves, but from the population. In 2018 the retirement age was increased by 5 years, the value-added tax was increased by 2% from 18% to 20%, a tax was imposed on the self-employed and the excise taxes on motor fuel, alcohol, cigarettes and other goods were raised. And there is no economic development. An increase of 1.5% does not solve the problem. And the fact that the president spoke of an economic breakthrough, a breakthrough from stagnation once again proves the validity of such characteristic of the present time.

II. PROBLEM STATEMENT

According to the authors, the following factors will contribute to the sustainable economic development of the Russian economy: optimization of Russia’s participation in the global economy with a policy of orientation to economic independence; priority of stimulating economic development over financial stabilization; correction of imbalances in the structure of the economy in favor of the real sector; implementation of large-scale state-building projects with the participation of private capital; introduction of modern management methods; focus on the digital economy and optimal development of labor resources.

The authors believe that the key to successful sustainable economic development is a qualitative change in human capital.

A number of problems have accumulated in the Russian economy, which requires an immediate solution. A substantial part (by some estimates - more than 40%) of the production capacity in Russia is outdated not only physically, but, which is most important, technologically. The industrial production in Russia, unfortunately, cannot yet produce innovative, competitive products that are in demand on the world market, such as numerical control machines, modern cars, computers, TV sets, iPhones and other high-tech products. In order to develop the processing industries, the replacement of outdated equipment, substantial amount of material and, above all, the financial resources are required, but at present the state does not have the necessary funds for economic modernization of the economy, as eloquently shown by the state budget adopted in 2019 and in the next two years. Thus, in 2019 the state budget of Russia allocated only 12.5% of the expenditure side for modernization and development of the economy, which is significantly less than the planned expenditures on national defense - 14.7% [12]. And this is despite the fact that the budget surplus for 2019 is planned in the amount of 1.8 trillion rubles which will lie dead in one of the reserve funds and will be spent with sharp drops in the prices for oil, gas and other raw materials.

State-owned companies do not have free resources, and private and foreign companies today are not ready to invest in

Russia due to lack of trust. The share of investments in fixed assets in the country's GDP over six years increased by 0.5% (from 20.7% to 21.2%) (since 2011 to 2017). The share of high-tech and knowledge-intensive industries in the country's GDP over the same period increased by 2% (from 19.7% in 2011 to 21.7% in 2017) [13].

In energy efficiency and logistics Russia lags far behind its competitors in the rest of the world. The Russian economy requires 4 times more energy than in Japan [14]. And the cost of transportation, storage and customs clearance in Russia is much higher than even in developing countries. Thus, the competitiveness of manufactured goods is reduced, and this is an obstacle to the expansion of sales and production markets.

In the area of production capacity, Russia is increasingly suffering from a shortage of labor resources, which are being reduced by 0.5% per year for natural demographic reasons. At the same time, most of the workforce is employed in areas with zero or very low added value: public service, security forces, private security, trade and highly inefficient banking. The rest does not cover the needs of the country. Even with the current level of development of production and service in Russia there is a catastrophic shortage of engineering and technical personnel, highly skilled workers and effective managers.

Another pressing and very important problem of the Russian economy is the presence of raiding and the lack of security of entrepreneurs and their business. According to our calculations, over the past 9 years over 2 million businessmen have been subjected to lengthy arrests for alleged economic crimes in order to seize profitable enterprises and property. This is demonstrated by the following table.

TABLE I. THE NUMBER OF ARRESTED BUSINESSMEN IN RUSSIA IN 2010-2018 [15]

Years	Number of businessmen arrested
2010	281 300
2011	240 200
2012	235 000
2013	225 200
2014	212 300
2015	255 250
2016	240 000
2017	241 397
2018	239 425
Total:	2 170 072

Thus, in just nine years, from 2010 to 2018, 2170072 businessmen were jailed in Russia for economic crimes. Moreover, according to statistics, the tendency to initiate criminal proceedings against entrepreneurs not only does not stop, but on the contrary, is increasing. As a result, over 2 million entrepreneurs, representatives of small and medium business were withdrawn from the Russian economy, which contradicts the government's declared policy of supporting small and medium businesses as one of the factors for the development of the society and economy of the country.

Entrepreneurs who are under arrest in Moscow remand prisons sent an appeal to the Russian president, saying that investigators use imprisonment as pressure on them. This was

announced on December 7, 2017 by Boris Titov, the Commissioner under the President of the Russian Federation for the Protection of the Rights of Entrepreneurs. He cited the example of one of the entrepreneurs who had been in the SIZO for more than a year and a half: "In the first nine months the investigators simply did not come to him." Business Ombudsman B. Titov recalled that "changes were made to Art. 108 of the Code of Criminal Procedure of the Russian Federation, according to which businessmen accused of a crime in the sphere of entrepreneurship, should not be kept in a pre-trial detention center. The Supreme Court clarified that entrepreneurs should not be detained in the SIZO and also issued a definition, explaining what entrepreneurial activity is. However, the total number of entrepreneurs sent to detention center does not decrease", B. Titov noted [16].

As Russian practice shows, article 159 of the Criminal Code of the Russian Federation is often used as a tool for contract-based business in order to seize business or weaken competitors. The preliminary investigation bodies have been investigating criminal cases for years, extending the arrest of businessmen. As a result, firms and enterprises without receiving proper guidance fall into decay and go bankrupt. According to statistics, annually in Russia more than 100 thousand companies stop their business activities due to the criminal prosecution of managers [17].

President of Russia V.V. Putin is aware of this problem. In his message to the Federal Assembly of December 3, 2015 it was noted: "By 2014 the investigating authorities instituted almost 200 thousand criminal cases on the so-called economic compositions. 46 thousand of 200 thousand reached the court; over 15 thousand cases fell apart in court. It turns out if you count that only 15 percent of cases ended with the sentence. At the same time, the absolute majority, i.e. about 80-83 percent of entrepreneurs, against which criminal cases were initiated, completely or partially lost their business. So, they were pressed, robbed and released. And this, of course, is not what we need in terms of the business climate. This is the direct destruction of the business climate. I ask the investigating authorities and the prosecutor's office to pay special attention to this" [18].

In February 2016 the head of state, speaking at a seminar-conference of chairmen of courts, called once again to keep in check those who use criminal prosecution in corporate disputes or to seize property from legal owners.

At the beginning of August 2017 V. Putin publicly reiterated the excessive pressure on the business by the control and law enforcement agencies. Trying to somehow reduce the loss of business, he, in particular, proposed to stop dragging down the unreasonable content of entrepreneurs in remand prisons, to prohibit seizure during searches of servers and hard drives, to limit unscheduled inspections of entrepreneurs and formalize the rights of the institution authorized to protect the rights of entrepreneurs in litigations [19].

However, it did not go further than the appeals, and the pressure on business by the control and law enforcement agencies continues to this day. And this does not correspond to the constant statements of the country's leadership about the full support of small and medium-sized businesses in Russia.

Since 2018 Russia has acceded to the international agreement on the exchange of tax information, due to which assets previously invisible to the FTS can "get out of the shadow." This was a catalyst for the exodus of many wealthy Russians from the country in order to get rid of the status of a Russian tax resident. This choice was made by every three of five wealthy Russians who have offshore capital. They successfully become residents of Cyprus (63% of respondents) or the UK (60%). Monaco, Malta or Switzerland were chosen by 30%. Another important reason for the change of jurisdiction by our compatriots lies in the lack of confidence that the Russian state will be able to ensure the confidentiality of financial data. Having learned from bitter experience, Russian businessmen and entrepreneurs do not trust the Russian state. The change of tax residency allows you hiding many unwanted information, including data on bank accounts abroad, or closing the old account opened with the Russian tax residency. "Nobody wants to show their money," one of the largest Russian businessmen, being on the Forbes list of 100 top entrepreneurs, explained the situation [20].

Another pressing problem is closely related to the unsolved problem of the oppression of businessmen – the capital flight from Russia. This is evidenced by the following table, compiled by the authors according to the Central Bank of Russia and the materials of the open press.

TABLE II. EXPORT OF CAPITAL FROM RUSSIA IN 2008-2018 [21]

Years	Exported from the country, in billions of dollars
2008	133.7
2009	56.1
2010	33.6
2011	84.2
2012	53.9
2013	59.7
2014	151.5
2015	57.5
2016	15.4
2017	31.3
2018	66.1
Total:	743

As follows from the table, over the past 11 years 743 billion dollars have been withdrawn from Russia abroad. At the rate of the Central Bank of the Russian Federation on 02/01/2019, this amount exceeds 50 trillion rubles or almost three annual Russian Federation's budgets. This huge sum of money was not turned into investment to the domestic economy, did not become a means for building new high-tech enterprises producing innovative products, but was invested in the economy of potential competitors.

Instead of investing money in the economy of their own country, domestic entrepreneurs, in order to save their business and earned capital, withdraw them abroad and register their new companies in foreign jurisdictions, often offshore. According to the former head of the Federation Council S.M. Mironov, today over 70% of Russian property is in foreign offshore companies, and 95% of large Russian companies are managed from offshore jurisdiction [22] which is evidenced by many facts.

Thus, the controlling stake in the largest domestic steelmaking company Novolipetsk Metallurgical Plant (worth \$ 13.3 billion) belongs to Fletcher Group Holdings Limited, based in Cyprus. The main owner of NLMK, Vladimir Lisin, who owns 82% of the plant's shares, is at the top of the list of Russia's richest businessmen. His fortune in 2018 was estimated at \$ 20.2 billion. Another well-known Russian businessman Oleg Deripaska also keeps his assets away from his homeland. His United company "Russian Aluminum" (UC RUSAL, United Company RUSAL, OK Rusal), the world's second largest producer of aluminum and alumina, is registered on the British island of Jersey. Vagit Alekperov, who is in the TOP 10 richest businessmen in Russia with \$ 14.5 billion, owns LUKOIL, which in 2018 outranked Rosneft and Gazprom (\$ 58 billion) in capitalization and also secured its capital. By the order of V. Alekperov, securities owned by LUKOIL were transferred to offshore and are now not in Russia, but on the balance of the Cypriot firm Lukoil Investments LTD [23]. The assets of R. Abramovich, whose personal fortune in 2017 exceeded 19 billion dollars, are also located abroad [24].

Today, offshore companies are becoming a real obstacle to the formation of a normal business climate in the country, reducing the level of confidence in its economy from foreign partners and investors. Therefore, President V. Putin has repeatedly stated that the state needs to support domestic business, create conditions that make it profitable to invest in the domestic economy and industry. For this, it is necessary to create comfortable conditions for doing business in Russia, reduce corruption in government bodies and so on.

The peculiarity of present-day corruption in Russia is that it is consistently expanding its zone of influence with new, previously sufficiently protected areas, particularly, law enforcement agencies and the highest echelons of power, which makes it especially dangerous. Mass corruption in the government of the Russian Federation is a deterrent for foreign businessmen who prefer not to risk their money in such conditions. The situation was complicated by economic sanctions imposed against Russia in connection with the accession of the Crimea and the events in the Donbas.

As the statistics shows, in the context of increasing anti-Russian sanctions foreign investment is significantly reduced. So, while in 2017 the volume of foreign direct investment in the Russian economy amounted to almost \$ 28 billion, in 2018 it decreased 11 times and amounted to \$ 2.4 billion [25]. And without investment there can be neither economic development nor the long-awaited growth of GDP and nor the emergence of new jobs.

Our state, through the lips of political leaders, has repeatedly stated that it wants to transfer the economy to an innovative development path, but has failed to organize work either through financing from the state budget, or through tax preferences, or through interaction with business including through public-private partnerships. The raw material orientation of the economy is preserved, and the intentions to diversify it are not implemented. In order to modernize the real sector of the economy, interaction between government and business is necessary. To solve these and other unresolved problems requires huge financial investments in industry,

agriculture, construction, transport and other industries. A radical change is possible through private investment. And offshore here plays an extremely negative role. That is why the head of state V. Putin in one of his latest messages to the Federal Assembly was talking about a full amnesty for capitals returning to Russia [26, p. 396].

The idea of de-offshoring of the Russian economy was voiced by President V. Putin in his message to the Federal Assembly in December 2014 and repeated in the next message he delivered in the Kremlin in December 2015 [26, p. 396-397]. However, despite the appeals by the authorities to return money to Russia, the return of hundreds of billions of dollars, flown away abroad and so needed for the native economy during the crisis, has not yet taken place.

To intensify the return of billions of dollars the institution of the so-called tax amnesty was used. The first tax amnesty in 2015-2016 did not bring the expected results. During these two years, only 7.2 thousand declarations in the amount of \$ 100 million were filed, whereas, according to experts, the foreign investments of large Russian businessmen stored abroad range from \$ 200 billion to \$ 1.3 trillion [27].

The second stage of the capital amnesty will start in Russia since March 1, 2018 and will last until February 28, 2019. At this stage, the government again allows businessmen who keep savings abroad to voluntarily declare foreign assets and accounts. In exchange, it promised exemption from criminal and administrative liability, as well as from paying taxes for all previous years. Russian businessmen, who have learned the bitter experience of Khodorkovsky, Gutseriev, Chichvarkin and other entrepreneurs who have experienced the pressure of the law enforcement system, are in no hurry to legalize their capital in Russia. They prefer to buy real estate abroad, thus financing foreign agricultural, industrial and infrastructure projects. Moreover, even the new US sanctions initiatives cannot change the negative dynamics.

Thus, the attempts of the Russian authorities to convince businessmen of the investment attractiveness of our country and the extension of the amnesty of capital for another year do not work effectively enough for entrepreneurs who continue to accumulate funds in the economies of other countries.

The first, most obvious and simple explanation for the current outflow of capital and decrease in direct investment in the Russian economy, in the opinion of the Russian government, are international sanctions initiated by the United States. But the sanctions are not the only reason: business (both domestic and foreign) does not believe in reducing bureaucratic barriers in Russia, in overcoming systemic corruption, in the appearance of justice independent of power. It does not believe in the bright prospects of the Russian economy and the justice of Russian jurisdiction and tax policy.

Registration of companies by Russian businessmen in offshore zones is beneficial for them for many reasons. In accordance with current legislation, all offshore companies registered, for example, in the Seychelles have the right to engage in any business activities around the world. An offshore company is fully exempt from taxes; the minimum number of shareholders is one (natural or legal person); meetings of

shareholders and directors can be held anywhere in the world; bearer shares are allowed; access to information on shareholders and directors for third parties is closed (in the Seychelles, in particular, information related to the register of shareholders and directors is not available to third parties and can only be opened by a local court decision); accounting and annual reports are not required; exchange control is absent. Company registration takes place after filling out a small package of documents and paying the necessary registration fees and charges in the amount of \$ 790.

The registration of offshore companies in the Seychelles, as a rule, takes from one to two working days; one day is spent on notarization and other organizational measures, and including courier delivery of documents, it makes up from three to five working days.

Registration of companies by Russian businessmen in offshore zones is the most reliable guarantee for them against raiding within the Russian jurisdiction and for preserving their capital, since Russian investigators and other law enforcement officers are not able to reach offshore companies founded by Russian entrepreneurs.

According to Vladimir Putin, nine out of ten significant transactions concluded by large Russian companies, including those with state participation, are still not regulated by Russian laws.

The offshore economy created by Russian businessmen with the connivance of the political leadership endangers not only the integrity of the country's financial system, but also the reliability of the Russian national currency. The unequal exchange rate of the national currency in relation to the currencies of the developed countries is a reflection of the weakness and inefficiency of the Russian economy. So, as of January 2, 2019, the ratio of the ruble to the euro was 1 to 80, that is, for 1 euro they gave 80 Russian rubles. As they say, comment is superfluous.

In recent years Russia, according to the rating of competitiveness calculated according to the methodology of the World Economic Forum, is only in the 7th ten among 80 countries.

The country's leadership is aware of the low competitiveness of Russian producers. "Unfortunately, most of the technological equipment currently used by the Russian industry is outdated in comparison with the advanced level not even for years, but for decades," was stated in one of annual messages to the Federal Assembly [11, p.51]. Pointing out the Russia's economic lagging behind from the Western countries, President V. Putin at the same time set tasks for the political elite to remedy the situation. "We need to take a serious step towards stimulating the growth of investments in the production infrastructure and in the development of innovations," the head of state said. "Russia should fully realize itself in such high-tech areas as modern energy, communications, space and aircraft industry, should become a major exporter of intellectual services." And simultaneously with the appeal to invest in domestic production and innovation, the head of state allowed the export of capital abroad. In addition, hundreds of billions of

dollars were invested in US mortgage bonds, which were significantly impaired due to the financial crisis of 2008–2009.

It should be noted that in 2018 Russia sharply reduced its investments in US debt. The US Treasury Department released data for May 2018, from which it follows that Russia dropped out of the list of the largest holders of US treasury securities. In April 2018, due to the heightened anti-Russian sanctions, the Central Bank sold half of the United States debt obligations at its disposal. As of January 1, 2019, these debt securities amounted to only \$ 15 billion, whereas at the beginning of 2018 they amounted to more than \$ 100 billion [29].

In this regard, it is impossible not to say about a significant reduction in the total external debt of the Russian Federation. As of October 1, 2018, it was \$ 467 billion. At the same time, its positive dynamics was noted: as compared with 2017 the external debt of the state, banks and companies decreased by \$ 53 billion and made up at the end of 2018, according to official data of the Central Bank Russian Federation, 20.4% of GDP [30].

III. RESEARCH QUESTIONS

In this study, the authors consider the following questions.

1. To identify the main problems which hinder the development of the Russian economy.
2. To analyze the main shortcomings in the implementation of state economic policy in modern conditions.
3. To show the conditions under which the Russian economy can develop at a faster pace than at present.

IV. PURPOSE OF THE STUDY

The purpose of the research is to study the current problems of the Russian economy and, on this basis, to offer recommendations for their elimination in the context of Western sanctions.

V. METHODS OF RESEARCH

When studying the main issues of the topic, the authors used the following methods. An institutional method allows analyzing the role of the president, the government and other authorities in the implementation of economic policy. A systemic approach, as well as structural and functional approaches allows forming a holistic and objective view of the state of the Russian economy in order to note both positive aspects and the existing shortcomings in its development in modern conditions. The method of comparative analysis was used by the authors to compare Russian economy with the economies of other countries, for example, with the economy of China. The study also used the methods of analysis and synthesis, statistical and other methods for determining the current trends in the economic development of Russia.

VI. FINDINGS

In conclusion, the following should be noted.

Firstly, in order to fulfill the ambitious task of joining the TOP-5 of the world's largest economies, the economic strategy should be revised, the economic structural reforms that have been long overdue should be carried out and the authorities and

businesses should strengthen their interaction, preventing pressure on entrepreneurs from law enforcement agencies.

Secondly, the experience of many developed countries shows that their economic power and competitiveness, their role and influence in the world economy, the level and quality of life of their citizens largely depend on the success in the development of “smart” knowledge-based economy. This was convincingly proved by Japan, South Korea, Singapore and other states whose economy was based on innovation and high technology, including the digital economy. While the leading countries are actively moving towards the sixth technological order, the Russian industry is currently in the third, fourth and only partially in the fifth technological order. And in order not to fall behind for a long time, it is necessary to train engineering and technical personnel meeting the needs of the innovative development of the economy.

Thirdly, for the implementation of the May 2018 presidential decree, such negative factors as corruption and insufficient government efficiency, constraining the innovative development of modern Russia and increase of labor productivity in industry, agriculture, construction and other sectors of the economy, should be eliminated.

Fourthly, to correct the existing situation, it is necessary to unite the efforts of the state, science and business; not in words, but in practice, to organize their interaction in achieving the goals formulated by President V. Putin in his message to the Federal Assembly on March 1, 2018.

VII. CONCLUSION

Thus, the research has shown that Russia has not yet created favorable conditions for doing business and developing economy, as it has been done in advanced countries. In 2017 in the world ranking of Doing Business, Russia ranked 35th in terms of unacceptability. The difficulties of doing business in Russia are exacerbated by the tightening of Western sanctions. To improve the business environment, it is advisable for the political leadership of Russia to turn to the experience of Japan, China, Singapore and other developed countries of the world in order to use it creatively in their own country. Both China's experience and the Japanese and Singaporean “economic miracles” have convincingly shown that by creating a favorable investment climate, caring for comfortable conditions for entrepreneurs, giving them all possible support, the state achieves impressive results in the economy.

We can see that it can be achieved by proper leadership.

The authors of the article express hope that President Vladimir Putin will use his new six-year term as the head of state to change the attitude of the government towards business for the better. Thus, that will allow reducing corruption and corporate raids, capital outflows to offshore companies in order to bring Russia to the level of the prosperous countries of the world.

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