Trends and prospects for ensuring the Russian economy competitiveness in the context of economic and political sanctions

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ORIGINAL ARTICLE

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Abstract. Currently, the global economy is undergoing global processes associated with the transition from monopolar to a multipolar world. Previously, the United States played a leading role in those monopolar world. It causes change in the conditions of competition in the global economy. Under these conditions, the United States, unable to ensure its competitiveness legally, began to actively use economic sanctions against Russia. Moreover, the USA forces the EU and the NATO bloc countries do the same. Meanwhile, the U.S. considers development of the Russian economy competitiveness and SMO as tools for maintaining its leading position in the global economy. However, the Russian economy transforms to external challenges in accordance with the national interests. Nevertheless, there are issues of ensuring the Russian economy competitiveness in the context of economic and political sanctions. They require scientific verification at present and in the future. The conclusions are as follows: the Russian economy is currently facing the challenge of ensuring its competitiveness in terms of global changes in the world economy, the US and EU countries sanctions pressure; it is necessary to integrate into the global economy as a developed economy, including using the BRICS as the largest importer of resources and high-tech products; to ensure national sovereignty, it is necessary to accelerate the withdrawal of the Russian economy's dependence on the dollar; there urgently needs to reconfigure higher education to train professionals; it is necessary to establish the domestic theory of organisation management a basis for practical provision of effective activities of domestic organisations.

Keywords: competitiveness; economic sanctions; de-dollarisation; problems of the Russian economy; higher professional education

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Introduction

Today, a difficult economic situation is developing in the world. It is associated with the process of transition from a monopolar to a multipolar world. Moreover, it actualises the issues of ensuring the national economies competitiveness, including the Russian one.

The purpose of the article is to consider the main issues and ways to ensure the Russian economy competitiveness under economic sanctions. However, it is a necessary condition for ensuring the country's security by addressing issues of technological leadership and economic self-sufficiency.

The issues of national economies competitiveness have been considered by many researchers. For instance, in 1990, M. Porter developed the theory of competitive advantages of organizations [10, 11]. However, speaking about international competitiveness, he noted the absence of generally accepted scientific concept of competitiveness.

According to N.Z. Safiullin and L.N. Safiullin, "one of the reasons for the current situation in the domestic





and international market is the insufficient theoretical and methodological elaboration of competitive relations of the transitive economy. There are no generally recognised systematic methodological approaches to the analysis of competition problems. Currently, domestic economic science contains fragmented studies on certain aspects of competition, monopolism, competitiveness, competitive advantages, etc." [13, p. 4]. This is evidenced by various studies of domestic economists and scientists [1-6].

Indeed, the US has dominated the world economy primarily through the use of the dollar as the world's reserve currency; it was used as a tool to ensure its economy competitiveness and economic pressure on other countries. As a result, they used world economy globalisation concept to make other countries national economies to \$ US dollar dependence for a long time. However, the U.S. economy was forced to focus on rather large imports of products from other countries. I it was "necessary to support the constant emission of the dollar, including its global distribution" [11]. Meanwhile, over the years of globalisation, America received rather than produced the widest range of goods necessary for its economy. Today, the situation is changed. For instance, the United States has largely become dependent on the Chinese economy. According to the report of the US Department of Defense on Strengthening Defense-Critical Supply Chains, there is dependence of the world's largest economies on each other. More than 300 key products critically needed for the American army were completely dependent on supplies from China¹.

Simultaneously, the use of the Internet has resulted in new opportunities to strengthen different countries competitiveness in the new economic and technological realities. Concomitantly, the physical borders of states and language barriers ceased to be an obstacle to national economies development². Countries began to actively use fast and secure online payment systems, transport deliveries, etc. Meanwhile, the global financial crisis of 2008-2010 clearly showed the declining of globalisation attractiveness and provided the tendency towards fragmentation of national economies, i.e. many countries began to pursue policies to protect national economic interests, including in trade, capital, migration, technology exchange, etc. For instance, after Britain exited the European Union in 2016, the United States and China began the trade wars. They manifested in a number of the US prohibitive measures for limiting China's competitiveness, etc.³.

Main part

The Russian economy has developed special measures to ensure its competitiveness under economic and political sanctions. For instance, the American journalist K. Morris called the US President D. Biden's Law on the confiscation of frozen assets of the Russian Federation (April 2024) the declaration of economic war with Russia⁴.

However, such US policy and interference in the economy of other countries have to a negative impact on the entire global economy. As a result, according to the annual report of E.M. Primakov at National Research Institute of World Economy and International Relations of the Russian Academy of Sciences, the main issues of global economic development in 2024 are as follows:

- the pace of global economic growth slows to demographic and structural factors;

- China's economy contributed the most to global economic growth over the past two decades, will slow its pace of development;

- neither developed countries nor China currently have any other way to support economic growth, except through an increase in the debt burden, which has already reached a high level [12].

According to statistics by the US Treasury on January 3, 2024, the US national debt exceeded \$ 34 trln USD, having increased by almost 10% in 2023, that is, by \$ 2.7 trln USD⁵. US dollar could lose its position as

- ⁴ Komolov, A. (2024). In the USA, the confiscation of assets of the Russian Federation was called a declaration of war (2024). Retrieved from: https://rg.ru/2024/05/02/v-ssha-nazvali-obiavleniem-vojny-konfiskaciiu-aktivov-rf.html (accessed 10.07.2024) (in Russian).
- ⁵ Penkal'skaya, A. (2024). The US national debt 2024: what is it and how it threatens the global economy. Retrieved from: https://

¹ Hubiev, R. (2024). The invisible dependence of the United States on China. Retrieved from: https://regnum.ru/article/2600790 (accessed 10.07.2024) (in Russian).

² The impact of globalization on competition and competitiveness. (2019). Retrieved from: https://scienceforum.ru/2019/ article/2018017181 (accessed 10.07.2024) (in Russian)..

³ Trends of the world economy in 2023: from globalization to fragmentation (2024). Retrieved from: https://vk.com/@ tradingliveforexbest-trendy-mirovoi-ekonomiki-v-2023-godu-ot-globalizacii-k-fragm (accessed 10.07.2024) (in Russian).

the world's reserve currency; as a result, the US economy will lose its leading status, too.

However, the US budget deficit causes more aggressive foreign policy, ensuring the necessary level of competitiveness. It is also provided the involvement of countries supported economic sanctions against the Russian economy. Indeed, the increased influence of the United States on finance will negatively affect the economies of all countries interacting with them, for instance, the EU countries. Currently, experts claim "the irrational anti-Russian sanctions imposed by the United States have mainly affected Europe". European countries faced a serious energy crisis; it causes "a gradual process of deindustrialisation and economic degradation" of Germany and France⁶. According to the President of the Russian Federation V.V. Putin, Germany, by rejecting the Russian car market, is now destroying its car industry⁷.

At the same time, in the interests of ensuring its national economic interests, the United States began to use military force more actively against real and potential competitors, involving, among other things, its partners in the NATO military bloc. Previously, the United States and its NATO partners militarily defeated the economies of Iraq, Libya, Yugoslavia; an attempt was made to destroy the Syrian economy. The major USA interest were cheap raw materials. For instance, the United States still practically maintains military bases in Syria without the consent of the country's leadership and practically "steals" Syrian oil for the needs of its economy. In 90s of 20th century the United States defined the Russian economy as a source of cheap oil and gas. Nowadays, the USA tend to destroy the Russian economy by effective methods of military influence.

As a result, global economic competition has increasingly begun to be influenced by the USA military policy.

However, the United States could not directly apply military measures against Russia. Therefore, the US tried to destroy the Russian economy during the Cold War.

But the strengthening of Russia's economic power and its active participation in the global economy alarmed the United States. Indeed, in 2006, within the framework of the St. Petersburg Economic Forum, the BRICS organization was created; the share of the participating countries is 1/3 of the global GDP. However, activity of Russia and the development of the Russian economy began to be perceived by the United States as a new global threat to its global economic and military-political dominance. Moreover, Russia acted as a new force against of aggressive US actions in Syria and damage to the economic, political, and military prestige of the United States.

As a result, the United States and countries under its influence introduced economic and political sanctions to undermine Russian economic potential and exclude it from the economic and political competitors. At the same time, the United States had a desire, following the example of the war with Iraq and Libya, to defeat Russia in real military conditions. Therefore, the United States used Ukraine. Ukraine has huge financial and military assistance in the war against Russia in order to weaken its competitive capabilities.

However, all the efforts of the United States against the Russian economy were ineffective ones. According to Russian Prime Minister M. Mishustin, "the Russian economy is confidently adapting to external challenges and transforming based on its own national objectives." Moreover, "GDP growth accelerated to 7.7%, the extractive and manufacturing production expanded, and consumer activity strengthened"⁸.

Noteworthy, for more than 10 years the Russian economy has been resisting aggressive economic and political sanctions from the United States and Western countries. The key factors allowing to achieve this result were the reorientation of foreign trade flows towards neutral and friendly countries, the expansion of domestic demand through increased government spending, and a sufficiently balanced macroeconomic policy. This allows th country to avoid destabilisation of the national economy under external pressure.

Firstly, the Russian economy managed to switch to the domestic Mir payment system rapidly; those

quote.rbc.ru/news/article/645e58c89a7947668c1aadf6 (accessed 10.07.2024) (in Russian).

⁶ Lejros, L. (2024). The USA is deliberately provoking a crisis on the European. Retrieved from: https://inosmi.ru/20240503/ krizis-268767979.html (accessed 10.07.2024) (in Russian).

⁷ Trends of the world economy in 2023: from globalization to fragmentation (2024). Retrieved from: https://vk.com/@ tradingliveforexbest-trendy-mirovoi-ekonomiki-v-2023-godu-ot-globalizacii-k-fragm (accessed 10.07.2024) (in Russian).

⁸ RIA news. (2024). The Russian economy is adapting to external challenges. Retrieved from: https://ria.ru/20240423/ mishustin-1941785517.html (accessed 10.07.2024) (in Russian).

replaced the American Visa and Mastercard payment systems. It ensured the independence of transactions processed within the country and the inability to disable the use of Mir plastic cards. Surely, this limited the use of plastic cards by Russians abroad. However, it made possible to eliminate the threat of artificially creating a financial crisis in the Russian economy from the United States.

Secondly, the Russian economy has largely managed to reorient its imports to the growing Asian and African markets. Obviously, the Russian economy suffered certain damages from the loss of the EU market. However, at this stage it was more important to find new ways to sell products than to maximise profits from exports.

Thirdly, the Russian economy has begun to use an import substitution strategy. It allows it to avoid shortage of goods, resources, services, and the economic crisis. Indeed, for quite a long time it was more profitable to import the necessary equipment, components, goods, developments and raw materials from abroad than to produce Russian analogues. According to experts, the share of imports in the machine tool industry was 50-60%, in the electronics industry – 80-90%, in the ltextile, clothing and footwear industry – 70-80%. Therefore, the significant share of imports was almost in every field⁹.

Fourth, the Russian economy began to dedollarise the Russian economy and increase the share of interstate settlements in national currencies, etc. According to the Minister of Finance A. Siluanov, the rate of settlements in national currencies between Russia and China has increased to 90%. It helped to avoid economic crises caused by the US and EU countries blocking of Russia's dollar accounts¹⁰.

Fifth, the Russian economy has begun to respond to the anti-Russian economic sanctions. For instance, Russia banned the export of wood, including fuel based on it, pellets and briquettes as response to economic sanctions provided by Finland. Indeed, this product is of critical importance for a number of European countries: birch balances serve as the main raw material for paper production; plywood ridge used for plywood production and fuel chips are critically important goods for the European Union. Additionally, the State Duma has now passed a bill to denounce the agreement with the United Kingdom, which has been in force for almost 70 years. This act allows the British to fish in the Russian zone of the Barents Sea. Therefore, Britain has a chance to stop the national dish-fish and chips. Earlier, Russia banned the Japanese from fishing in the Southern Kuriles, etc. This has disrupted favourable conditions for these countries economic development, believing they can declare unrequested economic sanctions, and deprived them of certain essential Russian resources.

Meanwhile, the US itself announces anti-Russian economic sanctions selectively in order not to reduce its economic competitiveness; the US do not consider the economic losses of its "anti-Russian sanctions partners". According to S. Zainullin, PhD in Economics, Professor at Synergy University, the new US anti-Russian sanctions, including those on the Arctic Nord Stream 2, will be paid for by the European allies in the NATO bloc. He considers the sanctions on the Arctic Nord Stream 2 as unfair competition measures aimed at maintaining high prices for liquefied natural gas to generate superprofits for American oil and gas companies, including those supplied to the European market. However, high gas prices will destroy European industrial enterprises and decrease the competitiveness of the European economy¹¹.

And even with Russia conducting a special military operation in Ukraine, where huge resources of the United States and NATO countries are involved against Russia, the Russian economy in 2023 showed signs of successful, albeit short-term adaptation to unprecedented sanctions challenges caused by a sharp increase in geopolitical contradictions with the United States and other leading economically developed countries.

Hence, the Russian economy has provided its survivability in the new geopolitical environment. However, this can be considered only tactical successes of the Russian economy in ensuring its competitiveness.

⁹ Buhtiyarova, N. (2022). SMEs and import substitution: answers of Russian companies to our questions. Retrieved from: https:// journal.sovcombank.ru/biznesu/msp-i-importozameschenie-otveti-rossiiskih-kompanii-na-nashi-voprosi (accessed 10.07.2024) (in Russian).

¹⁰ TASS. (2023). According to Siluanov, the share of settlements in national currencies between the Russian Federation and China leaves 90%. Retrieved from: https://tass.ru/ekonomika/19047493 (accessed 10.07.2024) (in Russian).

¹¹ Alekseevskih, A. (2024). The economist assessed the new anti-Russian sanctions. Retrieved from: https://www.gazeta.ru/business/ news/2024/05/03/22925977.shtml (accessed 10.07.2024) (in Russian).

The main goals for Russian economy next six years on ensuring its competitiveness in the longer term have been formulated by the President of the Russian Federation V.V. Putin in Address to the Federal Assembly.

However, sanctions challenge the Russian economy; their addressing requires scientific approaches.

However, the United States does not intend to lose its global leadership. Therefore, economic sanctions against Russia will be imposed for at least 10-15 years. Indeed, dollar will continue to be the main global reserve currency. During this period, it is necessary to do a lot in the financial sphere. First of all, within the framework of cooperation between the BRICS countries, which serves as a platform for partnership of states with common interests in politics, economy and security coincide. We believe, it is necessary to introduce a common BRICS payment system in order to eliminate the dominance of the dollar in global settlements and link it with the national payment systems of the BRICS countries. It allows the BRICS members to ensure the growth of their economies and strengthen their competitiveness.

Secondly, the Russian economy should become a connecting logistics system to provide Russian competitiveness. Russian economy should make the Northern Sea Route (NSR) its main source in ensuring national economy competitiveness by reducing the delivery time of goods. The main alternative freight routes between East and West are longer and more dangerous than the NSR. For instance, the distance from Vladivostok, Russia to St. Petersburg, Russia through the Suez Canal is more than 23 thousand km, whereas along the NSR only 14 thousand km; from Yokohama, Japan to Murmansk, Russia – almost 24 thousand km against 10.7 thousand km. Furthermore, when transporting cargo, companies and operators face problems caused by the constantly tense political situation in the Suez Canal zone: Somali pirates, regional conflicts, shipping high cost, etc.¹².

Thirdly, import substitution in the Russian economy is objectively difficult today. Indeed, for quite a long time it was more profitable to import the necessary equipment, components, goods, developments and raw materials from abroad than to produce Russian analogues. Undoubtedly, the Russian economy is striving to secure its competitive position in the defense industry. Significant results have been achieved in agriculture. Russia built its own passenger aircraft MS-21. Major technological breakthroughs have been made in shipbuilding, including the construction of icebreakers. The first floating nuclear power plant "Akademik Lomonosov" has been built in Russia. Modern technological innovations from the defense industry are beginning to transfer into civilian sectors of the economy. The President of the Russian Federation V.V. Putin set the goal to increase the share of civilian products to at least 30% of the total production of the Russian military-industrial complex by 2025, and to 50% by 2030¹³.

However, the industry is still largely now simply replacing products previously supplied by Western countries with products from China and other friendly countries through the intermediaries (parallel imports). Nowadays, the Chinese brands are actively developing the Russian passenger car market instead of German and French car models. However, we have few new domestic cars. The Moskvich brand was actively developing. Indeed, it is out to be uncompetitive among Russians in relation to numerous Chinese models. The modification of the Vaz Vesta car is equipped by Chinese upgraded 1.8 Evo engine and a 7-speed variator. Under these conditions, the United States is already influencing to countries friendly to Russia in order to ban the supply of certain goods to Russia. Moreover, on May 1, 2024, the US Treasury Department added 20 Chinese companies to the SDN list for their cooperation with Russia, etc.¹⁴.

Therefore, ensuring the Russian economy competitiveness is an issue of its technological sovereignty. According to V.I. Matvienko, the Chairman of Russian Federation Council of the, today "another key issue

¹² Ecoship. (2024). Prospects of the Northern Sea Route Retrieved from: https://ecoshp.ru/blog/perspektivy-severnogo-morskogo-puti (accessed 10.07.2024) (in Russian).

 ¹³ Trends. (2024). Technology transfer from the military to the civilian in terms of diversification was discussed in 2016 Retrieved from: https://trends.rbc.ru/trends/innovation/cmrm/62bc654a9a79472a6a3bdf70 ?from=copy (accessed 10.07.2024) (in Russian).
¹⁴ Vedomosti. (2024). The large industrial China companies are under new US sanctions for ties with Russia. Retrieved from: https://www.vedomosti.ru/politics/articles/2024/05/03/1035243-chto-znachit-popadanie-krupnih-promishlennih-firm-knr-pod-novie-sanktsii-ssha (accessed 10.07.2024) (in Russian).

will be the struggle for technological sovereignty"15.

Indeed, under the Russian economy competitiveness in modern conditions of political and economic sanctions, we will understand its ability to ensure its self-sufficiency and independence in the world market, primarily through ensuring its technological and resource leadership and interaction with the BRICS member countries.

Undoubtedly, Russian organisations today have accumulated vast experience in competing with global brands during their presence in Russia. All industries should actively transfer to the production of goods and services on the territory of the Russian Federation.

Thirdly, training of specialists and engineering personnel necessary for Russian organisations is extremely relevant. Scientific and technological development and global competitiveness of any country depend on the level of engineering development; it is largely determined by higher education, primarily engineering one.

Unfortunately, there are problems with the management of Russian higher education today. According to Academician of the Russian Academy of Sciences R. Nigmatulin, "throughout history, academicians have worked in the Ministry of Education. Qualified people with a decent education. Nowadays they are replaced by managers and lawyers. They are not able to raise industry or establish education"¹⁶. Over the past 30 years, the training of students in Russian universities has been constantly "improved". However, it is manifested largely in the adoption of new Federal State Educational Standards of Higher Education. However, all these changes are concern with only the names of competencies and abstract abilities of students. Meanwhile, it is not appropriate to refer them as standards, as they do not provide a clear understanding of what and how students, as future specialists, should be trained to [7]. Currently, there is an idea to abandon the foreign model (Bologna Process) of higher education (Master's and Bachelor's degrees). Nevertheless, universities have been continuing to prepare bachelors. As a result, bachelors are not demanded by employers. Moreover, Federal State Educational Standards are not correlated with the needs of organisations [8].

Today, there is a need to create advanced engineering schools on the basis of the Russian universities. The goal of such schools is to train qualified personnel for high-tech knowledge-intensive sectors of the economy aimed at creating innovative developments and products. According to M. Kalmatsky, in regard to the instruction of the President of the Russian Federation V.V. Putin, in 2024, the number of advanced engineering schools based on Russian universities will grow from 30 up to 50. In the future, their number will be increased up to 100. Therefore, the domestic economy will be provided by specialists necessary to achieve country technological sovereignty¹⁷. Indeed, universities themselves should train the necessary professionals: technical universities must be inherently engineering schools. It is particularly relevant in conditions when Russian organisations are facing a growing "staff hunger", primarily in engineering personnel. It will increase as necessary to address new tasks to ensure the technological sovereignty of the Russian economy.

Currently, higher education today does not correspond to the goal of training the necessary specialists for Russian organisations, including engineers in specific sectors of the economy. At the same time, even the concept of "vocational education" has disappeared from the names of universities today. Simultaneously, many public higher education institutions are now focusing on commercial activities. They are trying to earn money. In practice, there are cases when state universities give up part of the budget places in favor of paid enrollment of students, as this gives them an instant economic effect.

As a result, the main criterion for hiring university graduates by employers, is not their bachelor's degree, but work experience, as a rule, at least 5 years; this experience often in not profile one. Russian employers do not understand what is bachelor; they tend to hire specialists or masters. As a result, the creative

¹⁵ Larina, A. (2022). Matvienko does not expect drastic changes in the structure of the new government. Retrieved from: https://www. kommersant.ru/doc/6664645 (accessed 10.07.2024) (in Russian).

¹⁶ Iron, F. (2024). People in higher positions have no education. Academician Nigmatulin pointed out the weakest point of the current government Retrieved from: https://newsland.com/post/7723285-na-vysshih-postah-lyudi-bez-obrazovaniya-akademik-nigmatulin-ukazal-na-samoe-slaboe-mesto-nyneshney-vlasti (accessed 10.07.2024) (in Russian).

¹⁷ Kalmackij, M. (2024). Russia is increasing the training of specialists to achieve technological sovereignty. Retrieved from: https:// rg.ru/2024/04/03/konvejer-inzhenerov.html (accessed 10.07.2024) (in Russian).

potential of young university graduates is not functioning to a proper extent in the interests of domestic organisations. Indeed, it is not used for ensuring the required level of Russian economic competitiveness. Perhaps, it is necessary to provide distribution to work in Russian organisations. It would strengthen the interaction between employers and universities. However, employers would be able to impose the necessary practical requirements for the professional training of university graduates; organisations would be provided by energetic, creative and active university graduates. It would ensure development and the necessary level of competitiveness.

Currently, the domestic science of organisation management contains a lot of foreign concepts without sufficient scientific justification Researchers manage everything: projects, risk, change, finance, innovation, quality and even real estate [8]. Moreover, researchers mainly consider the economic aspects of project implementation, product quality assurance, reduction of negative consequences of possible risks, acceptance of changes by employees of organisations, rational use of finances, etc. Today a number of Russian researchers often manipulate the concept of "management". That approach does not provide any tangible practical benefit to improve the efficiency of domestic organisations. Indeed, it introduces confusion related to practical implementation of modern managerial knowledge. According to B.G. Litvak, "there is no single conceptual framework in the numerous management literature" [9]. And primarily it refers to management of domestic organisations. Therefore, it is time to correlate national science concepts of organisation management with the practice. It should be considered in the training of university students as future managers. Moreover, it will contribute both to the competitiveness of domestic organisations and Russian economy. Effective organisation management theory and professional education are the basis for the successful national economic development and ensuring the required level of competitiveness.

Conclusions

Hence, the conclusions are as follows.

Firstly, the Russian economy is currently facing the challenge of ensuring its competitiveness in terms of global changes in the world economy, the US and EU countries sanctions pressure. It requires to ensure Russia self-sufficiency and technological sovereignty

Secondly, it is necessary to integrate into the global economy as a developed economy, including using the BRICS as the largest importer of resources and high-tech products. At the same time, the import substitution strategy should become a real mechanism for Russian economy development, including the echnologically advanced industries.

Thirdly, to ensure national sovereignty, it is necessary to accelerate the withdrawal of the Russian economy's dependence on the dollar.

Fourthly, there urgently needs to reconfigure higher education to train professionals. It allows organisations to provide themselves with the necessary personnel to work successfully in the current conditions of global economic development. It also provides the maximum use of university graduates potential to ensure their competitiveness.

Fifthly, it is necessary to establish the domestic theory of organisation management a basis for practical provision of effective activities of domestic organisations. It allows ones to implement the import substitution as a mechanism for ensuring self-sufficiency and technological sovereignty of the Russian economy in terms of modern challenges.

However, only the complex of measures allows ones to effectively address the challenges of providing the Russian economy with the required level of competitiveness. It is necessary to address these challenges in terms of strategic perspective. Nevertheless, the Russian economy has entered its development path and has a good chance of becoming one of the world's leading economies by 2050. Meanwhile, today it is important to maintain the time frame for timely addressing the challenges facing the Russian economy to ensure the required level of competitiveness in order to avoid the mistakes of the 1990s. As a result of them, we have to recover lost opportunities in economy development. Moreover, it requires a significant overspending of all kinds of resources, including finances.

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CONFLICT OF INTEREST

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AUTHORS' CONTRIBUTION

Alexander A. Kiselev – conceptualization, project administration, writing – original draft. Roman V. Kolesov – formal analysis; writing – review & editing.

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