

**SCTCMG 2018**  
**International Scientific Conference «Social and Cultural  
Transformations in the Context of Modern Globalism»**

**DANGER OF TECHNOLOGICAL SANCTIONS FOR RUSSIAN  
ECONOMY**

G.A. Shalamov (a) \*, N.A. Ageeva (b)

\*Corresponding author

(a) Irkutsk National Research Technical University, Economics and Digital Business Technologies Department  
Irkutsk, Russian Federation

(b) East Siberian institute of economy and right, department of Economy and Management, Irkutsk, Russian  
Federation,

***Abstract***

One of the most important directions for the development of any state is to ensure the growth of its economy. At the same time, the importance focuses on qualitative rather than quantitative indicators of economic growth. In modern conditions, the quality can be ensured mainly through the introduction of innovations that can increase labour productivity on a new technological base. This article attempts to establish the effect of the sanctions imposed by Western countries against our State after the reunification of the Crimea with Russia. Of all types of sanctions (personal, economic and technological), the article focuses considerable attention on technological sanctions. The technological sanctions imposed on the Russian State are much more difficult to deal with. The sanctions can be divided into personal and sectoral measures. Personal sanctions were imposed against the nearest corrupt environment of the Russian President. Their purpose was to divide the political elite of the Russian state. After a certain time, it can be concluded that the sanctions did not have the result. An example of a deep theoretical study of the problem of strengthening Russia and the need to neutralize this process is the work of the British professor from Yale, the most influential thinkers of the world.

© 2019 Published by Future Academy [www.FutureAcademy.org.UK](http://www.FutureAcademy.org.UK)

**Keywords:** Economic growth; GDP; personal sanctions; investments.



## 1. Introduction

In 2014, Western countries imposed sanctions against Russia. The reason for their imposition was the joining Crimea with Russia. On the evidence of the conducted referendum in Crimea, over 80% of population voted for the reunification of Crimea with Russia. In our opinion, the true reason for imposing sanctions was the desire of the countries of the West, and especially of the United States of America (USA), to prevent political and economic strengthening of Russia's positions in the contemporary world.

This is confirmed by the publication in 2015 in the United States of America of a new National Security Strategy. In this very important and key document in the introductory message, then President of United States Barack Obama identified the main challenges and risks to the security of the United States. Among the main of them was the escalation of aggression by Russia. At the same time, it was noted that the United States is able to lead the world community to reduce these risks and eliminate these threats. It should be noted that the US National Security Strategy was developed and adopted in 2015; while sanctions against Russia began to be introduced in 2014. There is an impression that already available in this period practice attitude towards Russia just found its formal confirmation in the United States. That strategy is called hindsight.

In fact, this is not the case. An example of a deep theoretical study of the problem of strengthening Russia and the need to neutralize this process is the work of the British professor from Yale, the most influential thinkers of the world, Niall Ferguson, who published "The Great Degeneration" (Ferguson, 2000) in 2013, and the work of Bret Stephens, consultant of the leadership of the Republican Party of the United States, "America in Retreat" (Bret, 2014), published in 2014.

## 2. Problem Statement

Ferguson and Stephens opine that in the near future, America will inevitably undergo degeneration, the destruction of its institutions and the death of the economy. To prevent all this, the Americans do not have to wait for the invasion of the barbarians into the territory of the United States, but it is necessary to stop them on long-range lines. In his interviews N. Ferguson repeatedly expressed the view that the most important task of the United States is to turn Russia into an instrument for implementing American interests in East and North Asia. It is precisely to prevent a destructive impact on Russia's international relations that it is necessary for the US leadership to impose sanctions on Russia.

However, in fairness it should be noted that there are not only anti-Russian views on the modern world in the American scientific community. So, for example, in the book of Dr. Henry Kissinger "World Order" (Kissinger, 2014) the author very respectfully and constructively writes about Russia and the prospects for organizing cooperation with it. As an authoritative politician of the United States, Henry Kissinger made great efforts to establish partnership relations between the USSR and the USA first, and then Russia and the United States.

## 3. Research Questions

In our opinion, the Nobel Prize winner in economics Joseph Eugene Stiglitz is among the most influential Americans occupying a Russian stance. He is known for his very active and hard criticism of the policy of the International Monetary Fund (IMF) against developing countries. It is noteworthy that D.

Stiglitz has been opposed in recent years to the liberal reforms in Russia. As an example of such criticism is the extensive article by Joseph Stiglitz, "Who Lost Russia?" (Stiglitz, 2011). Unfortunately, the recommendations of the Nobel laureate remain outside the scope of the Russian leadership. These examples show that in the United States there is an asset that can be used in the struggle to abolish the sanctions against on Russia.

Nevertheless, the United States of America and the Western countries have imposed sanctions against Russia. In our view, the sanctions can be divided into personal and sectoral measures. Personal sanctions were imposed against the nearest corrupt environment of the Russian President. Their purpose was to divide the political elite of the Russian state. After a certain time, it can be concluded that the sanctions did not have the result. The political crisis consists in the fact that the United States and the Western countries had so much hoped for what did not happen in Russia.

#### **4. Purpose of the Study**

The sectoral sanctions imposed by the United States and Western countries against Russia can be divided into economic and technological ones. In our view, the economic sanctions, despite their external thunderstorms, are complementary in nature and constitute a kind of supportive sanction in comparison with technological sanctions. The fact of the matter is that the world is currently prevailing global capital markets. Huge amounts of investment resources and free funds are available in the markets of China, the Middle East, as well as in financial centres such as Hong Kong or Singapore. In today's world, the only resource that is abundant is money. It allows us to believe that economic sanctions do not pose a great threat to Russia.

The technological sanctions imposed on the Russian State are much more difficult to deal with. Despite the globalization of the world economy, its technological globalization did not take place. As a result, there is a fairly serious imbalance between the dynamics and magnitude of the economic power of developed countries on the one hand and the objective characteristics of technological leadership, on the other hand (Martin, 2014). It should be noted that the absolute leaders in the field of innovative technologies are the United States and Western countries, which have imposed sanctions against Russia, including technology. It is this fact that Russia is doomed to lag behind in the field of innovation. As a result, the Russian Federation is not in a position to achieve a significant increase in productivity, and hence the growth of the Russian gross domestic product (GDP).

#### **5. Research Methods**

The particularly negative effect of technological sanctions affects sectoral restraints on investment in the military-industrial complex and the oil and gas sectors; now it hardly exceeds half the percentage point of GDP. Nevertheless, the companies of these two key sectors of the Russian economy are making every effort to rectify this situation, but it is estimated that it will take much longer than three years (Shalamov, Magomedova & Vershinina, 2017).

The imposition of sanctions could not but affect the slowing growth of the Russian economy. This is evidenced by the evolution of Russian GDP growth in 2013-2016. Thus, according to Russian State Statistics Service, whereas in 2013 and 2014 the GDP growth was still 1.3% and 0.6%, respectively, there

was a major decline of 3.9% in 2015. The GDP decline was also recorded in 2016, but at a much lower level of 0.2%. The Russian government expects to record GDP growth of about two per cent in 2017.

## 6. Findings

It was not possible to determine objectively the impact of sanctions on the growth of the Russian economy. The fact of the matter is that, as a rule, Russian experts believe that the impact of sanctions on the economy is minimal, since the decline of GDP in 2015 is associated not so much with the sanctions, but with falling world energy prices that are a mainstay of Russian exports, and the completion of the sports facilities for the 2014 Winter Olympics in Sochi. The President of the Russian Federation, Vladimir Putin, argues that the causes of the crisis in 2015 are due only to internal causes. As for the sanctions, they only pushed the development of the Russian economy, especially after the government's chosen direction for import substitution. Nevertheless, the US and the Western leaders believe that the way they have chosen to extend the anti-Russian sanctions is the only right and effective one.

In order to implement the policy of sanctions against the countries against which they are imposed, it is necessary to have considerable force and resources. Currently, the transaction control system employs about 50 thousand financial institutions, banks and investment companies, not only in the United States but throughout the world.

The most important of these is the financial Crimes Enforcement Network (FinCEN) unit of the United States Treasury. This bureau collects information and provides a basic analysis of the millions of financial transactions being carried out around the world.

If FinCEN is an intelligence structure, Office of Foreign Assets Control (OFAC) is a structure of active operations. In practice, it enforces the sanctions programmes imposed on legal entities and individuals. The activities of the OFAC are aimed at strict compliance with the sanctions restrictions.

The visible structure inside the US Treasury is Office of the Intelligence and Analysis (Treasury Department). This structure is responsible for the in-depth analysis and coordination of the visible part of the United States military intelligence and financial complex. According to available data, about 1 thousand highly qualified experts are currently engaged in financial intelligence and active offensive operations in the United States Treasury Department and its subordinate structures.

Taking into consideration that the organization of the sanctions is a major focus of the Central Intelligence Agency (CIA) (Central Intelligence Agency (CIA) and the National Security Agency (NSA) of the United States of America, it can be concluded that sanctions against any country of the world are always serious and for a long time. After the revelations of former NSA agent Edward Snowden, it became known that since 2011, the United States has been reanimated another programme under a different name of Socrates (President of US, 2014). The programme aims to monitor the competitiveness not only of industries, but even of individual sectors and technology units and enterprises in the countries that are potential competitors of the United States. The Socrates functionality, the capabilities of the National Security Agency and the system of financial transactions enable American intelligence to monitor the supply of not only manufactured goods in critical and high-tech areas, but also the parts to any country in the world that are potential competitors of the United States.

In the book “The Multipliers of Sorrow. How To Survive in the Era of the War of Elites”, well-known Russian researcher Elena Larina argues that in addition to the US Treasury Departments engaged in organizing sanctions against Russia there are hidden structures and agencies with deliberately vague functions. It is always more difficult to analyse the activities of such structures. Little is known about the intelligence organizations of the United States. Nevertheless, several serious documented studies have recently been done in the United States on the U.S. Military Intelligence and Financial Complex:

- “National Security and Double Government” by Michael J. Glennon (2014);
- “Lords of Secrecy: The National Security Elite and America’s Stealth Warfare” by Scott Norton (2010);
- “Shadow Government: Surveillance, Secret Wars, and Global Security State in Single-Superpower World” by Tom Engelhardt (Engelhardt, 2007).

Even experts do not normally classify the United States Secret Service (USSS) as the structures of the Military Intelligence and Financial Complex. The USSS is currently subordinated by the Ministry of Internal Security and was under the authority of the United States Department of the Treasury until 2003. It is believed that the main task of the USSS is to protect the presidents, vice presidents, their families, high-ranking officials, etc. In accordance with the Charter, however, one of the main tasks of the USSS is to prevent counterfeiting of American money, bonds and other valuable documents. The Secret Service also has the right to investigate particularly large financial frauds and internal crimes requiring access to sensitive and confidential documents. A detailed analysis of the USSS activities can be found in the following books:

- “In the President’s Secret Service: Behind the Scenes with Agents in the Line of Fire and the Presidents They Protect” by Ronald Kessler (Kessler, 2009);
- “The Secret Service: The Hidden History of an Enigmatic Agency” by Philip H. Melanson (Melanson & Stevens, 2002).

There are many instances of direct involvement of the USSS in covert financial and economic operations aimed against certain elite groups domestically and abroad as well as against states. It can be assumed that the US Secret Service actively participates in the organization of the sanctions regime against Russia, too (Larina, 2016).

## **7. Conclusion**

The effectiveness of their work can be judged by occurrence of the scandal with delivery of the turbines of the German company Siemens in Crimea, which is under sanctions by the United States and Western countries. Two turbines produced for Taman Power Station (Krasnodar region) at a joint German-Russian enterprise «Siemens Gas Turbines Technologies», in which Siemens owns 65%, were delivered to Crimea. This violation of the sanctions was immediately discovered by German intelligence, and Siemens incurred not only serious reputation losses, but it was also threatened with heavy fines.

On the basis of the above stated in this article, it can be concluded that the sanctions imposed on Russian lead to the gradual isolation of Russia from the outside world, primarily from the developed countries. The prospect of losing competitiveness in the external market with long-term effects and the weakening of the growth potential of the economy of the Russian State should urge its leadership

concentration of all available resources (economic, political, diplomatic and military forces) to undertake work on the lifting of the sanctions imposed on Russia.

## References

- Bret, S. (2014). *America in Retreat: The New Isolationism and the Coming Global Disorder?* Sentinel.
- Engelhardt, T. (2007). *Shadow Government: Surveillance, Secret Wars, and Global Security State in Single-Superpower World*, Haymarket Books.
- Ferguson, N., (2000). *The Great Degeneration: How Institutions Decay and Economies*, Penguin Books.
- Glennon, M.J. (2014). *National Security and Double Government*, Oxford University Press.
- Kessler, R. (2009). *In the President's Secret Service: Behind the Scenes with Agents in the Line of Fire and the Presidents They Protect*. Crown Forum.
- Kissinger, H. (2014). *World Order*, Penguin Press.
- Larina, E., (2016). *The Multipliers of Sorrow*”, *How to Survive in the Era of the War of Elites*, M. Bookish world.
- Martin, D., GUO, Z.Z. (2014). *Asymmetry of technological leadership and economic power*.
- Melanson, Ph.H., Stevens, P.F. (2002). *The Secret Service: The Hidden History of an Enigmatic Agency*. Basic Books.
- Norton, S. (2010). *Lords of Secrecy: The National Security Elite and America's Stealth Warfare*”, Nation Books.
- President of US, (2014). *President Reagan's Program to secure U.S. Leadership Indefinitely*. Project Socrates, Retrieved from: <http://projectsocrates.us/>
- Shalamov, G.A., Magomedova, A.K., Vershinina, A.G. (2017). *Influence of the Western countries on innovation grow of the Russian economy*”, *Moscow economic journal*, 4, <http://qje.su/otraslevaya-i-regionalnaya-ekonomika/moskovskij-ekonomicheskij-zhurnal-4-2017-55/>
- Stiglitz, J.E. (2011) *Who Lost Russia?* Retrieved from: <http://www.r-reforms.ru/StiglitzLost.htm>