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Cross-Border Capital Flows in Russia: Prospects for Changing their Internal and Geographical Structure

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ABSTRACT

***The* relevance** of the study is due to the growing influence of external factors on the structure of cross-border capital flows associated with Russia. The **aim** of the study is to identify the main changes in the internal and geographical structure of international capital flows in Russia, trace their connection with the state economic policy and make practical proposals for improving their internal and geographical structure in Russia. The author uses statistical **methods** related to the calculation of individual indicators and the analysis of statistical data, the study of international experience. The analysis of the calculated structure of flows and stocks of foreign investment in 2007–2019 proves that the internal structure had an increase in the importance of direct investments in the composition of liabilities and a decrease in the role of reserve assets in the composition of assets. Offshore and related jurisdictions dominate in the geographic structure of direct investment, while the structure of reserve assets has shifted from the United States to Asian countries (China and Japan). International experience indicates the development of new approaches to the regulation of international capital flows, including measures of macroprudential policy. The author made a **conclusion** about the ineffectiveness of the current economic policy in regulating the internal and geographical structure of cross-border capital flows in Russia and about the prevailing influence of administrative measures by the external players. To improve the structure of international capital flows in Russia, the author suggests using separate currency restrictions, macroprudential policy measures, deoffshorization policy, as well as targeted insurance of external risks for Russian investors.
Keywords: international capital flows; direct, portfolio and other investments; reserve assets; offshore; pandemic COVID-19; currency restrictions; macroprudential policy

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INTRODUCTION

Starting with the global economic and financial crisis of 2008–2009, the period of economic development in Russia was marked by significant changes caused by both internal and external economic factors. The internal economic development model was characterized by the crisis recessions (2009, 2015 and 2020), as well as a general slowdown in dynamics: in 2010–2013, the average annual growth rate of real GDP was 3.8%, while in 2017–2019, it was 1.9%.[1]

Our previous research showed that individual components of cross-border capital flows in Russia depend on internal factors: the dynamics of direct investment liabilities depends on the growth of final consumption of households, as well as, along with liabilities and portfolio investment assets, on changes in interest rates [1, p. 46–49].

As for external factors, the period under review was marked by an increased impact of negative external shocks on the Russian economy. The main shocks include the impact of the global economic and financial crisis (2008–2009); a significant drop in oil prices (2008, 2014–2015 and 2020); sanctions imposed by Western countries against Russia in 2014; pandemic coronavirus COVID-19 in 2020. We assessed the impact of external factors and found out that the most significant one was the dynamics of oil prices (for direct investment liabilities and portfolio investment assets), as well as the global stock index (for portfolio investment assets) [1, p. 46–49].

The impact of both internal and external factors during this period contributed to an overall reduction in cross-border capital flows associated with Russia. If at the peak of their dynamics in 2007, the total cross-border capital flows[2] associated with Russia amounted to 25.3% of GDP, and in 2019, they decreased to 5.4% of GDP.[3] In 2014–2019, this reduction was sustainable. On the one hand, this was due to the influence of economic sanctions, which directly limit the possibilities of attracting external financing; on the other, due to a slowdown in economic growth and, accordingly, a decrease in the attractiveness of the Russian economy as an object for external investments.

STRUCTURAL TRANSFORMATIONS OF THE OF CROSS-BORDER CAPITAL FLOWS IN RUSSIA IN 2007–2020

To analyze the internal capital structure in Russia, we will use the flow indicators (based on the balance of payments) and stock (based on the international investment position). In the case of flow indicators, we calculate the indicators of the main components of international capital flow (assets and liabilities of direct, other and portfolio investments) in relation to GDP (*Fig.*). In relation to the stock indicators, the analysis is based on the calculated structure of assets and liabilities of the international investment position (*Table 1*).

Significant changes took place in the structure of cross-border capital flows (*Fig.*). Before the main source of inflow of funds into the Russian economy was the global economic and financial crisis other investments. However, since 2008, this have been direct investments. Only twice (in 2015 and 2018) the main source of the inflow of funds was the reduction in assets for other investments. It should also be noted the "reversal" of the flows of other investments since 2014. Since then, throughout the years, there has been a net reduction in liabilities on other investments, while in 2015–2018, there was also a net reduction in their assets. Such trends could be explained primarily by the effect of the sanctions. On the one hand, foreign markets were closed to attract short-term capital to certain segments

[1] Calculations based on World Economic Outlook as of October 2020. URL: https://www.imf.org/en/Publications/WEO/weo-database/2020/October (accessed on 16.11.2020).

[2] By aggregate cross-border capital flows, we understand the sum (excluding the transaction sign) of assets and liabilities of direct, portfolio and other investments associated with Russia.

[3] Calculations based on the data from the balance of payments of the Russian Federation.URL: http://cbr.ru/statistics/macro_itm/svs/ (accessed on 16.11.2020).

Table 1

Structure of Russia's international investment position in selected years (end of the year, in %)

	2007	2009	2013	2015	2017	2019
Assets	100.0	100.0	100.0	100.0	100.0	100.0
Direct investments	33.9	27.8	32.6	31.4	35.0	33.1
Portfolio investment	1.8	3.5	3.7	5.8	5.5	5.3
Derivative financial instruments	0.1	0.2	0.4	1.0	0.4	0.4
Other investments	20.3	28.2	28.6	30.3	26.8	24.6
Reserve assets	43.8	40.3	34.7	31.5	32.3	36.6
Liabilities	100.0	100.0	100.0	100.0	100.0	100.0
Direct investments	39.5	38.4	42.2	41.5	49.6	50.8
Portfolio investment	29.6	22.0	20.4	16.9	21.6	26.2
Derivative financial instruments	0.1	0.5	0.3	1.1	0.4	0.5
Other investments	30.8	39.0	37.2	40.6	28.3	22.5

Source: calculated by the author based on data from the Central Bank of the Russian Federation. URL: http://cbr.ru/statistics/macro_itm/svs/ (accessed on 16.11.2020).

of the private sector, and on the other hand, the reduction in accumulated foreign assets made it possible to solve some internal problems (including the payment of external debt). Portfolio investment flows have traditionally played a relatively smaller role in the international capital flow compared to direct and other investments, although in some periods there was a relatively significant inflow (for example, in 2012 and 2019) or an outflow of funds previously invested by non-residents (in the crisis 2008 and 2014–2015).

It is not yet possible to assess the 2020 coronavirus pandemic impact on the structure of cross-border capital flows. However, data for the first two quarters of 2020 indicate a relative increase in the importance of portfolio investment flows. The role was played by the reduction in liabilities and an increase in portfolio investment assets, typical for each crisis, as well as the relatively smaller impact of new restrictions on financial instruments. Direct investments experienced a short-term shock (in the 1st quarter), but in the 2nd quarter they resumed their normal dynamics. Other investments continued the trends of the previous model (reduction of assets and liabilities).[4]

Due to these changes in capital flows, there have also been changes in the structure of their accumulated values (*Table 1*). As one would expect, in the structure of liabilities based on the dynamics of flows, the share of direct investment was growing steadily, increasing from 2007 to 2019 by more than 10 percentage points. The share of other investments decreased most significantly (by 8.3 percentage points) and somewhat less of portfolio investments (by 3.4 percentage points). The ratio between the dynamics of other and portfolio investments changed after 2015, while before, the share of other investments was growing against the background of a significant drop in the share of portfolio

[4] The analysis for 2020 is based on balance of payments for the first two quarters of the current year. URL: http://cbr.ru/statistics/macro_itm/svs/ (accessed on 16.11.2020).

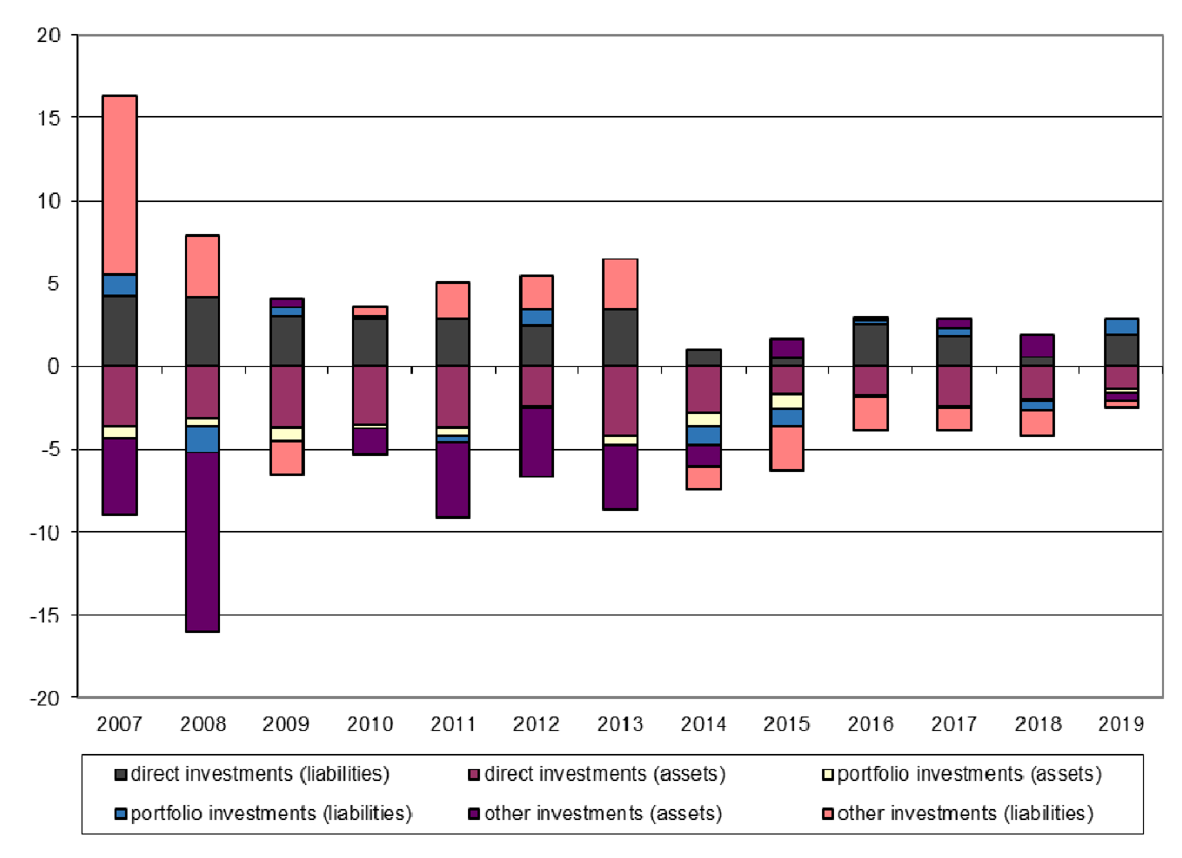

Fig. **Structure of cross-border capital flows in Russia in 2007–2019 (% to GDP)**

Source: calculated by the author based on Russia's balance of payments data. URL: http://cbr.ru/statistics/macro_itm/svs/ (accessed on 16.11.2020).

investments. Here, an important role could be played by the sanctions, which equally negatively affected both of these components of international capital flow, but did not affect government securities, where non-residents have been investing since 2016.

The changes in the structure of Russian assets abroad were less obvious. The main role was played by reserve assets associated with the state capital flow. The share of direct investment in Russian assets was generally relatively stable, except for a slight drop in the crisis year of 2009 (there was a significant capital outflow in the form of other investments). The share of other investments grew until 2015, but then began to decline, since the return of funds to the country began through this channel.

Derivative financial instruments have not yet played such a significant role in the accumulated capital flow. However, they were significantly increasing until 2015 and reached their maximum (most likely, due to the need to insure currency risks in the midst of a currency crisis).

Carried out since 2006, the liberalization of Russian currency legislation presupposes the unavailability by currency restrictions to manage the structure of cross-border capital flows. Nevertheless, certain measures of economic policy allow influencing this structure. The increase in reserve requirements for foreign currency deposits in 2018 provokes capital outflow into the instruments of foreign issuers, i.e. could stimulate the growth of portfolio investment assets [2, p. 48]. In our opinion, there are more explicit measures of the Central Bank aimed at limiting the growth of liabilities of other investments — increasing the reserve requirement for liabilities to

Table 2

Structure of outward foreign direct investment from Russia by country (mln USD)

	2013	2014	2015	2016	2017	2018	2019	2007–2019
Total outward FDI from Russia	86 507	57082	22085	22 314	39049	31 377	21 923	592 372
Cyprus	7671	23 546	4249	9827	21 352	10 681	14 344	199 342
British Virgin Islands	62 223	718	3301	1795	1401	885	665	91 685
Bermuda	571	2997	−261	480	279	−39	−561	11623
Bahamas	560	756	1054	1205	1300	1258	223	7785
Netherlands	−3022	2132	461	841	−6023	3025	−189	36 812
Switzerland	1358	6927	203	1433	2281	794	−2152	22 024
Luxembourg	1314	639	786	−1633	1856	2000	727	13 569
Ireland	264	91	479	1139	634	2032	832	7785
United Kingdom	1294	1935	−439	755	192	2626	2454	20 493
Austria	5265	1135	746	258	6739	221	369	18 070
Germany	1334	1016	738	393	724	1078	1420	14 694
France	449	523	74	121	310	−65	263	4956
USA	739	1654	819	873	126	653	−577	17 532
Singapore	304	817	383	888	6136	1566	1923	13 454
Turkey	1447	1183	1475	1184	557	534	−2107	10 766
Belarus	863	609	736	629	494	646	588	12 004
Kazakhstan	671	657	643	476	727	366	187	6482
Ukraine	496	−493	595	822	−92	213	240	6059
Share of countries – explicit offshore (%)	79.0	51.9	48.0	57.8	61.9	42.3	70.3	54.4
Share of countries – explicit offshore and sparring jurisdictions (%)	81.7	75.6	56.9	72.8	74.9	81.6	87.0	74.4

Source: calculated by the author based on data from the Central Bank of the Russian Federation. URL: http://cbr.ru/statistics/macro_itm/svs/ (accessed on 16.11.2020).

non-resident legal entities from 4.25% (at the end of the 1st quarter of 2016) to 4.75% (as of mid-2019) for liabilities in roubles and from 4.25 to 8% (for the same period) for liabilities in foreign currency.

Changes in the share of reserve assets in the structure of the international investment position (*Table 1*) reflected changes in Russia's monetary policy. Until 2014, the policy of targeting the exchange rate was carried out. It was associated with the conduct of foreign exchange interventions (however, the intensity of the interventions themselves after the global economic and financial crisis gradually decreased). In 2014–2016, there was a transition to a free floating rouble. Another change in monetary policy took place in early 2017. It was associated with the start of purchases of foreign currency by the Ministry of Finance, which consequently played an active role in regulating the rouble exchange rate. The result of this policy was the renewed buildup of foreign exchange reserves. Hence, there was the increase in reserve assets in the structure of assets from the end of 2015 to the end of 2019. The most large-scale interventions in the period after 2014 were carried out in 2019 [3, p. 11, 12], when the net increase in reserve assets amounted to USD66.5 billion.

CHANGES IN THE GEOGRAPHICAL STRUCTURE OF CROSS-BORDER CAPITAL FLOWS

The geographical structure of both investments from Russia and foreign investments coming to Russia continues to be dominated by offshore and offshore countries.[5] Detailed statistics by country are provided by the Central Bank of the Russian Federation only for direct investments. According to our calculations, the share of explicit offshore countries in the direct investment flows from Russia in 2007–2019 was 54.4%, and together with offshore countries[6] — 74.4%. For foreign direct investment in Russia, the share of these groups of countries for the specified period was 36.4% and 71.8%, respectively. That is, more than 70% of direct investment flows to and from Russia are associated with offshore jurisdictions.

The decline in the share of offshore and related jurisdictions usually occurs during a crisis, as evidenced by data for 2015 (a similar situation took place in 2009). After the crisis, their use is restored. For the period of 2014–2019, the specifics was the changes in the geographic structure of foreign direct investment flows. For example, in some years there was an outflow of direct investments from European jurisdictions to Russia (primarily from Cyprus, as well as from Ireland and Luxembourg), while maintaining a significant inflow of funds from the Bahamas and Bermuda.

Since 2012 deoffshorization policy was applied to combat the use of offshore companies, which basically should have changed the geographical structure of the international capital flow in Russia. This includes innovations in the Tax Code of the Russian Federation on transfer pricing (introduced on January 1, 2012), a law on controlled foreign companies,[7] several stages of tax amnesties carried out since 2015, the creation of "internal offshore companies" (special administrative regions) [6]. However, as evidenced by statistics (*Tables 2* and *3*), there is no steady, significant decrease in the use of offshore and offshore countries in foreign direct investment in and from Russia in recent years.

The next stage of the deoffshorization policy began in 2020. By direction of the President of the Russian Federation, the government

[5] Here we use the term from work [4]. B.A. Kheyfets, for example, uses the term "sparring-offshore jurisdictions" [5, p. 7].

[6] Ireland, Luxembourg, Switzerland, Singapore, the Netherlands, Great Britain were also classified as offshore countries in the case of direct investments in Russia. In the case of direct investments from Russia, they were Ireland, Latvia, Luxembourg, Monaco, the Netherlands, Singapore, Switzerland, and the United Kingdom.

[7] Federal Law No. 376-FZ of November 24, 2014 "On Amendments to Parts One and Two of the Tax Code of the Russian Federation (with regard to taxation of profits of controlled foreign companies and income of foreign organizations)". URL: http://www.consultant.ru/document/cons_doc_LAW_171241/ (accessed on 16.11.2020).

Table 3

Structure of foreign direct investment in Russia by country (mln USD)

	2013	2014	2015	2016	2017	2018	2019	2007–2019
Total FDI inflow	69 219	22 031	6853	32 539	28 684	8785	31 975	484 191
Cyprus	8266	3158	–7069	–436	8693	–10 108	7932	74 214
British Virgin Islands	9379	3123	2374	1010	–826	1223	990	40 353
Bahamas	2791	3638	5108	5802	6211	1009	1143	33 486
Bermuda	404	1777	2239	2551	1336	843	967	31 318
Ireland	10 399	–531	623	–1789	889	–3850	3193	26 859
Luxembourg	11 638	–693	–5770	–939	3378	–506	–2814	27642
Netherlands	5716	1102	–246	165	–1427	7846	6393	58 056
United Kingdom	18 927	120	1112	478	2102	2522	4686	35 478
Switzerland	1086	2472	203	1842	1511	1690	23	12 851
Austria	–326	841	407	1071	–174	884	924	9528
Germany	335	349	1483	224	470	341	245	25 061
France	2121	2224	1686	1997	854	1134	2044	18 707
Sweden	–1203	166	122	530	20	372	–250	9219
USA	485	708	209	402	495	376	–105	9884
Singapore	–502	162	185	16274	2703	1587	530	21 596
China	597	1271	645	345	140	–13	136	4327
Japan	369	295	447	140	83	345	116	3780
Kazakhstan	208	357	433	350	205	159	130	2436
Share of countries — explicit offshore (%)	23.5	50.1	68.8	29.7	56.8	–	35.1	36.4
Share of countries — explicit offshore and sparring of jurisdictions (%)	91.8	62.1	12.0	79.0	88.7	32.9	72.7	71.8

Source: calculated by the author based on data from the Central Bank of the Russian Federation. URL: http://cbr.ru/statistics/macro_itm/svs/ (accessed on 16.11.2020).

proposed to Cyprus, Luxembourg, the Netherlands and Malta, and then to Hong Kong and Switzerland, to amend agreements to avoid double taxation. It is proposed to increase the tax rate on dividends and interest on loans granted to 15%.[8] Cyprus, Luxembourg and Malta reportedly agreed to revise the agreements.[9]

Among the countries that make direct investments in Russia that do not belong to offshore and related jurisdictions, we will find that the peak of the inflow of investments from European countries[10] fell in the crisis years 2014–2016, and then after a sharp decline in 2017, the growth of investments from these countries resumed. Direct investment from Northeast Asian countries[11] was significantly lower than investment from the four leading European investor countries, and steadily declined after 2014. Simply based on official data,[12] we see no reason to replace European investments with Asian ones in the Russian economy.

Russia's partners in the integration association, which proclaims the freedom of capital flow, the member countries of the Eurasian Economic Union (EAEU) make a very insignificant contribution to investment in the Russian economy. Their share in total direct investment in Russia has sharply decreased since 2015 (with the exception of 2018, when there was generally a small inflow of foreign direct investment to Russia).

Kazakhstan has been and remains the main investor in the Russian economy among the EAEU countries. On the contrary, the EAEU countries keep playing a significant role in outgoing Russian direct investments. According to official statistics, from 2014 to 2018, Russian direct investments in the EAEU countries exceeded investments in Germany and France. In the total foreign direct investments in Russia, in 2017–2019 their share was at the level of 3.6–3.9%.[13]

Special mention should be made of the investment structure of official assets. It can be tracked based on statistics on the fund allocation from the foreign exchange reserves of the Central Bank of the Russian Federation by country. For the first decade after the global economic and financial crisis, this structure did not have significant changes [8, p. 21]. In the period from the beginning of 2018 to the beginning of 2020, these changes took place. The share of investments in Chinese assets rose sharply (from 2.6% at the beginning of 2018 to 13.8% at the beginning of 2020), with a significant decrease in investments in the United States (from 29.9% to 7.9%) and a slight change of the share of the euro area countries — France and Germany (from 23.7 to 23.4%). The share of investments in Japanese instruments also increased significantly (from 1.5% to 13.2%).[14] On the one hand, the share of investments in countries applying sanctions against Russia decreased, on the other hand, within this group of countries, investments were partially redistributed from the United States to Japan. This strategy allowed to reduce the potential risks of expropriation of assets, but reduced their profitability (investments in Japan) and reliability (investments in China).

Keeping the trends that took place until 2019 would hardly have allowed for an increase in cross-border capital flows associated

[8] Makeev N. Russia closes international offshores for business. Moscow's comsomolets. 26 August 2020. URL: https://www.mk.ru/economics/2020/08/26/rossiya-zakryvaet-dlya-biznesa-mezhdunarodnye-ofshory.html.

[9] Mavrina L. The government will raise taxes on capital outflow to Switzerland and Hong Kong. Vedomosti. 11 August 2020. URL: https://www.vedomosti.ru/economics/articles/2020/08/11/836417-pravitelstvo-nalogi.

[10] We are considering the largest European investor countries: Germany, France, Sweden and Austria.

[11] China, Japan, Republic of Korea.

[12] Asian and European investments can also be made through offshore and related centers, but their origin can only be identified through detailed analysis of individual transactions.

[13] Due to the use of offshore jurisdictions, the direct investments flows between Russia and the EAEU countries are underestimated. For this region (for all CIS countries) from 2011 to 2016, there were alternative estimates of mutual direct investment. See: [7, p. 23].

[14] Annual Report 2018. M.: Bank of Russia, 2019, p. 95; Annual Report 2019. M.: Bank of Russia; 2020.P. 109.

with Russia. The sanctions combined with low economic growth and the absence of prospects for a significant increase in oil prices, create an unfavorable combination of internal and external factors for Russia. The coronavirus pandemic that began in 2020 and the corresponding global economic crisis are leading to another global halt in capital flows, which will also affect Russia. Given the existing low level of Russia's participation in the international capital flow, one should hardly expect its significant reduction.

In the structure of cross-border capital flows, further growth in the share of reserve assets is highly likely, as the Ministry of Finance continues to pursue a conservative policy in the absence of significant exchange rate support. Uncertainty in the economy is likely to lead to a decrease in direct investment (both inbound and outbound), while portfolio investment in government securities may be favorable with some reduction in the overall level of risk and maintaining positive interest rates by the Central Bank at the background of the policy of zero interest rates in the leading developed countries. The resumption of the inflow of other investments was observed in the second quarter of 2020 and may continue in the near future. Thus, the internal structure of cross-border capital flows may again begin to shift towards speculative capital flows.

In the absence of an effective deoffshorization policy, offshores and related jurisdictions will continue to dominate the geographic structure of international capital flows in Russia. The revision of double taxation agreements with individual jurisdictions will lead to the use of other jurisdictions, as it happened after 2014. The strengthening of the position of Asian countries in cross-border capital flows associated with Russia is unlikely, although the Chinese and a number of other Asian economies will strengthen their positions in the global economy after the current crisis.

Whilst Russia does not lead an active policy to regulate the international capital flows, one can hardly expect positive changes in its structure.

MEASURES TO REGULATE CROSS-BORDER CAPITAL FLOWS AND THEIR STRUCTURE: INTERNATIONAL EXPERIENCE AND PROPOSALS FOR RUSSIA

From the second half of the 1980s, before the global economic and financial crisis of 2007–2009, marked by the active financial globalization processes, it was characterized by the predominance of a theoretical approach emphasizing the advantages of free cross-border capital flows. Among its main advantages were the expansion of the possibilities of borrowers to attract additional resources and those of lenders to diversify their portfolios. For national economies, the opportunities for smoothing aggregate consumption and the development of national financial markets increased over time.

The global economic and financial crisis revealed shortcomings of free capital flows, including: "contagion effects" between countries, where international capital flows act as the main channel for transferring negative external shocks, as well as significant macroeconomic effects from a sudden stop of capital flows to emerging markets. Some empirical studies have not found the alleged positive effects of free cross-border capital flows [9, p. 12, 13]. The internal structure of international capital flows was also important. Their negative impact is traditionally associated with speculative capital, which is mainly reflected in "portfolio investments" and "other investments" in the balance of payments. Whereas direct investment is traditionally associated with positive effects for national economies.

This arises a question about the opportunity or even the need to apply measures to regulate cross-border capital flows. It is about a fairly wide range of measures: from standard economic policy instruments with a wide range of impacts (primarily, monetary and fiscal policy) to targeted measures to regulate cross-border capital flows (primarily, currency restrictions and individual macroprudential policy measures). We will only analyze measures directly aimed at regulating international capital flows.

There are usually two main reasons for applying the measures to regulate cross-border capital flows by countries with emerging markets, including Russia: managing aggregate demand and achieving financial stability [10]. In terms of managing aggregate demand, restricting free capital flows gives freedom to choose the goals of monetary policy in the context of the "impossible trinity". Financial stability is possible as a result of the fact that the financial systems of countries with emerging markets, usually largely depend on attracting external financing, which can threaten systemic problems in a crisis situation [11, p. 11].

Another argument for the introduction of measures to regulate international capital flows is the increased impact of external shocks after the global economic and financial crisis. In particular, under the influence of the outbreak of the COVID-19 pandemic in March 2020, capital outflow from emerging markets amounted to more than US $100 billion [10].

The countries with emerging markets and developing countries, as evidenced by B. Erten and J. Ocampo [12], have indeed increased the number of measures aimed at regulating cross-border capital flows since 2005.

Although Russia uses certain measures to regulate the structure of cross-border capital flows (the management policy for the exchange rate by the Ministry of Finance, regulation of the structure of international reserves, mandatory reserve requirements for external liabilities, the policy of deoffshorization of the economy, and some others), their effectiveness is very limited. As shown above, external administrative regulatory measures in the form of sanctions and partially the measures to combat offshores and illegal incomes taken by other countries have a significant impact on the internal and geographical structure of cross-border capital flows in Russia.[15]

Based on the tasks facing the economic policy of Russia as a whole, wide use of the possibilities to regulate cross-border capital flows in line with changing approaches in international practice seems important:

1. Switching to extensive use of certain restrictions on cross-border capital transactions is necessary. Besides the urgent Russian problems of increasing independence of monetary policy in an open economy and ensuring financial stability, these restrictions could further consolidate positive changes in the structure of cross-border capital flows if they are introduced in relation to speculative capital flows, but do not affect direct investments.

Concerning the structural changes of cross-border capital flows, measures of macroprudential policy can also be used. They have now being applied in Russia, but not in full. We have already mentioned one of the existing mechanisms associated with increased reserve requirements for banks when attracting external financing (in fact, limiting the growth of liabilities of other investments). The range of relevant instruments can be expanded to limit speculative capital inflows.

Our previous research [1] allows us to conclude that the structure of cross-border capital flows can also be changed by standard economic policy measures. Thus, a stimulating policy aimed at increasing the final consumption of households will facilitate the inflow of foreign direct investment. The impact of interest rate policy is less obvious, since rising interest rates stimulate both direct investment and speculative capital inflows. In this case, selective measures are needed to regulate the internal structure of capital flows.

The deleveraging program proposed by E.A. Zvonova [13, p. 138] basically represents measures to reduce Russia's participation in international capital flows (reducing liabilities by reducing assets, including official ones).

[15] For example, [5, p. 23, 24].

Besides a general reduction in accumulated capital flows, implementing this program will lead to changes in their structure regarding a decrease in debt instruments and an increase in direct investments. The effective implementation of this program requires replacing external financing of economic agents with internal ones.

2. Regarding the geographical structure of international capital flows, the priority direction, in our opinion, is to continue deoffshorization policy. It is still premature to assess the results of this policy undertaken in 2020 (revision of agreements to avoid double taxation with a number of countries). In any case, it could be supplemented by the state interventions to the banks and companies under control, in terms of limiting their use of offshore jurisdictions. The current sanctions regime is the deterrent, which narrows the possibilities of accessing the capital markets of the leading developed countries. Restrictive measures in the course of the deoffshorization policy should be combined with measures to increase the attractiveness of investment in the Russian economy.

The possibilities to expand the geography of sources of attracting investment at the expense of emerging markets are still limited by both the indirect effects of sanctions and the relatively low attractiveness of investments in the Russian economy amid a significant slowdown in its growth during the recovery from the crisis of 2014–2016. In these conditions, the use of internal sources of investment leads. A possible source of funds is reducing official external assets (spending the funds of the National Wealth Fund[16] within the country).

3. The geographical structure of investments can also be expanded by agreements aimed at developing the processes of mutual investment with individual countries. There are significant prospects for advancing the formal process within the EAEU. It makes sense to expand agreements on a free trade zone that are currently being negotiated between the EAEU and third countries, and add clauses to promote mutual investments. A promising direction for developing investment cooperation could be enhanced cooperation with the BRICS countries.

Many experts[17] suggest that insuring noncommercial risks of legal direct investments from Russia to countries that are objectively characterized by higher risks, but at the same time play an important role in Russia's foreign economic strategy, can provide support for changing the internal and geographical structure of cross-border capital flows.

CONCLUSIONS

The period after the global economic and financial crisis of 2007–2009 is marked by changes in the domestic and geographic structure of cross-border capital flows associated with Russia. In the structure of capital inflow, the share of foreign direct investment increased against the background of a decrease in the share of other and portfolio investments. In the structure of external assets, the share of reserve assets decreased against the background of the transition to a floating exchange rate of the rouble. However, active interventions by the Ministry of Finance in the foreign exchange market in 2017 rectified this trend.

Offshore and related jurisdictions are still dominating in the geographical structure of cross-border capital flows. However, the role of such jurisdictions from some European countries has slightly decreased and flows have reoriented to the Caribbean islands and Singapore. Among the jurisdictions not related to offshores, there was no significant switch of direct investment sources from European to Asian countries, while the structure of outgoing direct investment diversified (mainly due to investments in certain periods in the EAEU countries and Turkey).

[16] During the economic crisis of 2020, the volume of the National Wealth Fund in USD increased from February 1 to October 1, 2020 by 38.6%. URL: https://minfin.gov.ru/ru/perfomance/nationalwealthfund/statistics/ (accessed on 16.11.2020).

[17] For example, [14, p. 113].

Without a proactive policy aimed at regulating cross-border capital flows, one can hardly expect positive trends in the structural changes of these flows in Russia. Due to the 2020 crisis and the reaction to it within the current model of economic policy, the role of speculative capital flows, as well as reserve assets, may increase. Within the geographic structure, the use of offshore and related jurisdictions will continue, as well as dependence mainly on developed European countries as an external source of capital.

In this regard, we have proposed new additional measures to enhance the regulation of cross-border capital flows. For instance, to return certain restrictions on the cross-border capital flows to the economic policy measures, since they also allow regulating its internal structure; to intensify deoffshorization policy measures, including the state interventions to the companies and banks under control; to expand investment cooperation with the EAEU countries, BRICS and some other countries with emerging markets using state policy measures on risk insurance when investing in these countries. Nevertheless, significant changes in the volume and structure of cross-border capital flows cannot occur without Russia's transition to a model of economic growth with higher rates, which will make it an attractive target for external investment and expand opportunities for effective external investment.

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