

Evolution of Trade and Economic Relations between Russia and the UK: Past and Future

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Abstract

From the moment of their establishment in the 16th century, the diplomatic relations between Russia and Britain have never been noted for simplicity, even after undergoing a series of transformations since then. However, regardless of the inherent tensions in the relations between the countries, both Russia and the UK remain important trade and strategic partners. In this article, the authors focus on the issues of economic cooperation between Russia and the UK both in retrospect and at the present stage. In particular, they analyse trade relations in terms of the exchange of goods and services, investment flows and cooperation between the business communities of the two countries in the context of the current sanctions situation and Brexit.

Keywords: Russia, the UK, Russian-British relations, sanctions, Brexit, trade and economic relations, political relations, investment cooperation

History of the Development of Russian-British Economic Relations

The peak of Russian-British cooperation was reached in the first half of the 1990s. This period was characterised by an expansion of areas of cooperation and the signing of new agreements and contracts. Thus, in 1992, the Treaty on Principles of Relations between the United Kingdom of Great Britain and Northern Ireland and the

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Russian Federation was signed, under which the countries committed themselves to maintaining mutual peace and resolving international issues jointly.²

In the area of economic cooperation, the treaty envisaged certain terms and condition, under which the UK was obliged to provide support in carrying out market reforms in the Russian Federation. The treaty also identified key areas such as, agriculture, energy, banking, electronics, aerospace, information technology and business development, in respect of which cooperation was subsequently built.

In the same period, the countries concluded an agreement on economic cooperation that envisaged the promotion of long-term favourable economic cooperation and mutual investments.³ Under this agreement, the parties established the Inter-governmental Committee on Trade and Investment, the activities of which were later suspended on the initiative of the UK side in March 2014.

Between 1993 and 1994, the countries signed agreements in the fields of medicine and public health, as well as an agreement to work together in the fields of education, culture and science. By 1996, the UK and Russia concluded agreements on the use of atomic energy and on scientific and technical cooperation. The two countries also began actively encouraging contacts between its peoples. They particularly promoted the development of mutual tourism, and, in 1999, collaboration in the field of personnel training management was established.⁴

The 1990s also witnessed an expansion of trade and economic cooperation between the two countries, with foreign trade serving as one of the important components of the foreign economic relations. The year 1994 was indicative, as the volume of the total trade turnover exceeded USD 5 billion, with Russia's share being USD 4,2 billion in exports and USD 896 million in imports. The export structure was mainly dominated by diamonds, precious metals, ferrous and non-ferrous metals, timber, petrochemicals, i.e., raw materials.⁵

² I. Sh. Shamugia, 'Russian-British Relations: Current State and Development Prospects', *International Students Scientific Journal*, No.2 (2016), available at <https://www.eduherald.ru/ru/article/view?id=15140> [in Russian].

³ Embassy of the Russian Federation to the United Kingdom of Great Britain and Northern Ireland: 'Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Russian Federation on Economic Cooperation'. (1992, November 09), available at: <https://rusemb.org.uk/relations/12>.

⁴ V.K. Lomakin, *Economy of Britain: A Monograph*. (Moscow, MGIMO (University) of the Ministry of Foreign Affairs of the Russian Federation, 2016). 598.

⁵ Goskomstat, *Russian Statistical Yearbook*, (Moscow: Goskomstat of Russia, 1999), 621, available

The imports included machinery and equipment, vehicles, agricultural, and chemical industrial goods. The Russian side brokered implementation of the above priorities in the export-import structure due to the deterioration of its production facilities, while the UK side drew parallels due to the depletion of its own oil and gas reserves.⁶

The first decade of the 20th century was characterised by the intensification of relations between Russia and the UK, followed by the revitalisation of the business environment. In particular, as the UK executed the economic cooperation programme with Russia in 2000, its trade turnover increased by 55,3% compared with the previous year. It should be noted that this increase was mainly from imports of raw materials from Russia's fuel and energy complex, constituting 45%, as well as wood products, and precious and nonferrous metals.

The first decade of the new century was marked by a tendency towards changes in the trade structure. In particular, the share of medical and other chemical preparations increased, while the volume of trade in agricultural raw materials and light industrial products dropped. However, the share of machinery and equipment in the UK export structure was still three times higher than the share of chemical products. By 2014, Russia joined China and the US to become one of the largest passenger car markets in the world.⁷

The 2003-2006 period was noted for stable dynamics in the development of Russian-British relations, and especially, the growth rate of foreign trade turnover increased, exceeding USD 10 billion. By 2008, the volume of Russian-British trade had increased by about 35%, reaching USD 22.5 billion.⁸ By 2010, a number of agreements were signed between the countries on the implementation of joint projects in the fields of nuclear energy, biopharmaceuticals, and the exploitation of energy resources on the northern sea shelf. During this period, Russia became one of the UK's priority partners, along with China, the US, Japan and Canada.

at: http://istmat.info/files/uploads/45390/26vneshneekonom-ya_deyat-t.pdf [in Russian].

⁶ A.A. Gromyko, Ye.V. Ananyeva, I.S. Ivanov, *Russian-British Relations at the Present Stage: Workbook. No. 19/2014*, (Moscow, Spetskniga: Russian Council on International Affairs (RCIA), 2014), 32.

⁷ V.K. Lomakin, *'Economy of Britain: A Monograph'* (Moscow, MGIMO (University) of the Ministry of Foreign Affairs of the Russian Federation, 2016), 607 [in Russian].

⁸ Rosstat, *Russian Statistical Yearbook*, (Moscow: Rosstat, 2010), 725, available at <http://istmat.info/node/46363> [in Russian].

In the second half of the 20th century and early 21st century, in addition to trade and economic cooperation, the UK provided support to the social and economic transformations that took place in Russia. In 1989, the Know-How Foundation was established to provide technical assistance, and later, in 2000, it was transformed into the Britain-Russia Development Partnership. Its goal was to provide financial support to market reforms, as well as support for the development of the Russian private sector. A total of GBP 120 million was appropriated.

Between 2000 and 2006, the UK financed more than 800 health, education and social welfare projects as part of a support programme for the social sector.⁹ Moreover, in 2000, a bilateral programme to provide economic assistance and technical cooperation between the countries was developed, towards which the UK appropriated about GBP 50 million. The main areas of support in this programme were the energy industry, social and environmental sectors, as well as small business.¹⁰

The economic support the UK provided to Russia was also organised multilaterally within the framework of the World Bank's projects and the TACIS Programme. Under the TACIS Programme, the UK provided about 17% of funding in its priority areas, namely, the development of financial services, energy, transport, nuclear safety programmes and administrative reforms.

Current Status of Political Relations

Despite the positive dynamics of foreign economic cooperation within the period, serious problems gradually emerged in the relations between the two countries that have not yet been resolved. The UK government has always reacted adversely towards Russia's international energy policy, stating that Russia uses its energy resources as a political tool. At the same time, it should be noted that the Declaration on Energy Dialogue between the two countries was signed in 2003, which reflected the national interests of the parties regarding issues of the energy sector and also showed the intentions of Russia and the UK to work towards resolving them.

In addition, the favourable development of Russian-British relations was complicated by the instability of the global political situation. Most notably, in the first decade of the 21st century, the development process was impeded by the west's

⁹ B. Thomson, A. Campbell, S. Shishkin, and V. Onischenko, *Evaluation of DFI Country Programmes: Country Study Russia 2001-2005*, Evaluation Report EV677 (London: Department for International Development, 2007, June).

¹⁰ V.K. Lomakin, *Economy of Britain*, 603.

plans to invade Iraq, the scandal regarding the London murder of a former FSB officer who had become a British citizen, as well as the August 2008 military conflict in South Ossetia, when the UK took quite a tough stance against Russia. The situation was further aggravated by the 2014-2015 military confrontations in Ukraine and Russia's reunification with the Crimea, the military operations in Syria, as well as the Salisbury incident.

The aggravation of political relations between the UK and Russia since 2014 and the EU's imposition of economic sanctions as a powerful instrument of pressure on Russia both had a negative impact on the development of Russian-British trade and economic cooperation in the period between 2014 and 2017. It is important to note that of all the EU countries, the UK has taken the toughest position against Russia, and led the process of structuring and extending EU's anti-Russian measures.¹¹ Along with the other EU member states, the UK imposed sanctions restricting business relations with particular Russian companies. Of note, restrictions were imposed on bank accounts, all high-level diplomatic contacts with Russia were suspended, a ban was imposed on several Russian officials from entering the UK, and the British intends to freeze Russian assets if evidence of a threat to the country's security is found and substantiated.¹²

This situation has led to the cooling of Russian-British political dialogue. The UK unilaterally suspended all bilateral forms of intergovernmental cooperation: Strategic dialogue in the '2 + 2' format (foreign ministers and ministers of defence), High Level Energy Dialogue, work of the Intergovernmental Commission on Trade and Investment and the Committee on Science and Technology. In fact, regular consultations with foreign ministries were suspended.¹³ Moreover, in 2013, the UK cut its direct investment in Russia from USD18,9 billion to USD714 million.¹⁴

¹¹ Y.K. Zaitsev, 'April Sanctions: Implications for the Russian Economy', *Economic Development of Russia*, Vol. 25, No. 5 (2018).

¹² P. Wintour, 'UK Sanctions against Russia: What Impact will They Have?' *The Guardian.com* (2018 March 14), available at: <https://www.theguardian.com/politics/2018/mar/14/the-uk-sanctions-imposed-on-russia-by-theresa-may>.

¹³ Embassy of the Russian Federation in the United Kingdom of Great Britain and Northern Ireland, "Russ-British Bilateral Relations", (2017, December), available at: <https://www.rus.rusemb.org.uk/ruuk/> [in Russian].

¹⁴ D. Sedlov, 'Foreigners Invested in Russia Three Times Less than in 2013,' *Financial One. Financial Markets Journal* (2015), available at: <https://fomag.ru/news/inostrantsy-investirovali-v-rf-utroemshche-chem-v-2013-godu/>.

Present-Day Trade Cooperation

However, the impact of the 2013-2014 political situation on economic relations between the countries was not so dramatic. The drop in bilateral trade, from about GBP7 billion to GBP6 billion, observed during this period was mainly due to the slowdown in the growth of the Russian economy resulting from the drop in oil prices.¹⁵ Foreign trade in goods between Russia and the UK was undisturbed by the Ukraine-related sanctions that the EU imposed on Russia in sectors such as energy, finance and dual-use technologies.¹⁶

According to Rosstat and the Federal Customs Service of Russia, the dynamics of trade turnover between the countries was quite stable in 2017: the UK held the 13th place in the structure of Russian exports,¹⁷ the country's share in Russia's total exports was 2,4%, and its total turnover grew by about 23% to USD12.8 billion and by 19% to USD6.9 billion from January to June 2018, compared to the same period the previous year.¹⁸

In turn, Russia is the UK's 20th largest trading partner. Russia occupies 16th place in terms of imports and 23rd in terms of exports.¹⁹

Analysis of 2018 statistics gives Russian experts grounds for cautious optimism. Firstly, bilateral trade with the UK has traditionally been characterised by a positive balance for Russia. Figures show that this situation will persist. Thus, based on the

¹⁵ Office for National Statistics, *UK Balance of Payments, The Pink Book: 2017* (London: Office for National Statistics, 2017), available at: <https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/bulletins/unitedkingdombalanceofpaymentsthepinkbook/2017>.

¹⁶ World Politics Review, 'The Dip in UK-Russia relations Shouldn't Come as a Surprise', *World Politics Review.org* (2018, February 1), available at: <https://www.worldpoliticsreview.com/trend-lines/24111/the-dip-in-u-k-russia-relations-shouldn-t-come-as-a-surprise>.

¹⁷ World Trade Centre Moscow, 'WTC Experts Evaluated the Prospects for the Development of Trade and Economic Cooperation between Russia and the UK' (Moscow: World Trade Center Moscow, 2018, March 21) [in Russian], available at <https://wtcmoscow.ru/services/international-partnership/analitics/eksperty-tsmt-otsenili-perspektivy-razvitiya-torgovo-ekonomicheskogo-sotrudnichestva-rossii-i-veliko/>.

¹⁸ Russian Federation Federal State Statistics Services, *Russia in numbers. A brief statistical compendium* (Moscow: Rosstat. 2018), 487, 490 [in Russian], available at http://www.gks.ru/free_doc/doc_2018/rusfig/rus18.pdf.

¹⁹ Trade Delegation of Russia in the UK, *UK Foreign Trade in Goods and Services for January-November 2018*, [in Russian], available at <http://rustrade.org.uk/rus/?p=2286>; World Trade Center Moscow, 'WTC Experts Evaluated the Prospects for the Development of Trade and Economic Cooperation between Russia and the UK' (Moscow: World Trade Center Moscow, 2018, March 21) [in Russian], available at <https://wtcmoscow.ru/services/international-partnership/analitics/eksperty-tsmt-otsenili-perspektivy-razvitiya-torgovo-ekonomicheskogo-sotrudnichestva-rossii-i-veliko/>.

2018 results, it amounted to more than USD5,6 billion, which means that Russia exported 1,7 times more goods and services to the UK than the United Kingdom exported to Russia.²⁰ In 2018, UK exports to Russia declined by 9,5% (mainly due to a reduction in exports of mineral products – 21, 2%, machinery and equipment – 16,9%, and others).²¹ At the same time, the said significant increase in Russian exports to the UK was observed in all respects, except for precious stones and their derivatives, leather raw materials and fur.

Against the background of declining exports to Russia, the UK's imports from Russia increased significantly by 31,5%. It is important to note that this increase was not only due to the export of hydrocarbons but also the export of non-primary energy products. Moreover, both energy and non-energy, non-oil exports showed record growth rates. The main drivers of growth in non-primary exports are inorganic chemistry products (two-fold increase), fertilisers (90% increase), gas turbines (three-fold increase), fish and seafood (40,8% increase), as well as plywood (20,5% increase). However, traditionally, the largest increase in Russian exports is demonstrated by products of the fuel and energy group (an increase of 65,6%).

Secondly, despite the mentioned political disagreements, since 2016, there has been a steady increase in trade turnover between Russia and the UK. At the same time, growth rates are increasing. In 2018 only, they increased by 9,2%. The growth rate of deliveries from Russia was the highest among the top 20 partner countries of the UK (31,5%, with an average growth rate of 7%). As a result, Russia ranked eighth among UK partners outside the EU.²² It is assumed that this tendency will continue in the midterm. There are several reasons for this statement. In particular, the current structure of bilateral trade is fully consistent with the traditional UK export-import orientation. Thus, the country's export trade is dominated by engineering products, pharmaceuticals and refined products. In turn, its import trade is dominated by equipment, including gas, mineral fuel, precious stones and their processing products.

²⁰ Trade Delegation of Russia in the UK, *UK Foreign Trade in Goods and Services for January-November 2018*; World Trade Center Moscow, 'WTC Experts'.

²¹ HM Revenue & Customs (HMRC) Trade Statistics Unit, *UK Trade Info*, available at: <http://www.uktradeinfo.com/>.

²² Trade Delegation of Russia in the UK, *UK Foreign Trade in Goods and Services for January-November 2018*.



Figure 1: UK trade of selected goods with Russia, 2017.

Analysis of the structure of the UK exports to Russia suggests that the Russian market is extremely promising. Russia’s Trade Representative in the UK, Boris Abramov, has noted that today’s Russia will benefit from purchasing a wide range of goods and services, therefore, there is a desire to create Russian-British trade cooperation, which would be convenient and understandable primarily for companies. In addition, the UK’s aspiration for entering new markets and developing new regions and industries will also further expand bilateral trade and economic relations.²³

Promising areas of development for Russian non-primary exports to the UK could be Russian equipment and components for vehicles, aircraft and spacecraft, navigation, satellite, aviation and geological equipment, inorganic chemistry products, medical equipment and pharmaceuticals, building materials, fertilisers, parts for turbojet engines, paper and cardboard, developments in the field of safety and cybersecurity, as well as antivirus protection.

Another important component of Russian-British cooperation is trade in services. However, according to UK statistics, the turnover of Russian-British trade in services decreased by 19% and amounted to USD 4,3 billion in 2016. Russian exports of services to the UK decreased by 3% compared to 2015, and amounted to USD970 million, while imports of services from the UK fell by 23% to USD 3,3 billion. Russia’s share in the UK services turnover is low, amounting to only 1%, including 1% in exports and 0,5% in imports. The leading positions in the structure of UK imports of services from Russia are

²³ TASS News Agency, ‘Trade between Russia and Britain should exceed USD 14 billion in 2018’, TASS, (2018, November 26) [in Russian], available at <https://tass.ru/ekonomika/5834982>.

occupied by business services (20,4%), travel (19,8%), transport (19%), and financial services (15,5%). In 2016, Russia increased its imports of business services (+ 2,9%), transportation services (+ 3%), and financial services (3,7%). The import of tourist services decreased (-18,5%). In the structure of exports of services to Russia, the leading positions are held by financial services (52%), business services (14%), communication services (9,6%) and tourism services (7,5%). There was a decrease in 2016 in the export to Russia of business services (-47,5%), and tourism services (-48,9%). Yet, exports of telecommunications (+26,7%) and financial services (+17,6%) increased. The recent years have shown a steady increase in UK exports to Russia in the service sector.

By the end of 2017, the UK maintained its position in the top-three in the export of services to Russia among its partner countries. The priority areas were services in the fields of finance, transport, information technology and consulting. According to the World Trade Centre, Russian-British trade in services increased by 15,8% in the first half of 2017,²⁴ and to GBP 2.8 billion or USD3.77 billion per annum. Exports of goods amounted to GBP 3.1 billion (USD 403 billion).²⁵

Table 1: Russian-British Trade in Services, 2011-2018 (Based on Russian statistics)
(USD million)

	2011	2012	2013	2014	2015	2016	2017	First half of 2018
Turnover	10,850.8	11,412.7	11,638.8	10,784.1	8,369.1	6,727.2	7,323.3	3,523.6
growth rate +/- %	+27.8	+5.2	+2.4	-7.7	-22.4	-19.6	+7.6	+0.5
Exports from Russia	5,202.5	5,387.3	4,873.6	4,534.4	3,204.6	2,897.5	2,986.7	1,548.8
growth rate +/- %	+26.6	+3.6	-9.5	-7.0	-29.3	-12.4	+5.9	+3.6
Imports to Russia	5,648.3	6,025.4	6,810.2	6,249.7	5,164.5	3,919.7	4,336.6	1,974.8
growth rate +/- %	+29.0	+6.7	+13.0	-8.2	-17.4	-24.1	+8.8	-1.8
Balance	-445.8	-638.1	-1,936.6	-1,715.3	-1,959.9	-1,112.2	-1,350.0	-426

Source: Bank of Russia (January 2019)

²⁴ World Trade Center Moscow, 'WTC Experts'.

²⁵ Office for National Statistics, *UK Balance of Payments, The Pink Book: 2017*, (London: Office for National Statistics, 2017), available at: <https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/bulletins/unitedkingdombalanceofpaymentsthepinkbook/2017>.

Bilateral Investment Cooperation

In addition to trade, another focus is investment cooperation. In general, the introduction of sanctions against Russia have had a negative impact in this area; stagnation is noted in the midterm. Still, the parties managed to smooth out the drastic decrease in mutual investments, as observed between 2008 and 2012 and during the peak of political disagreements in 2014. The London Stock Exchange remains the leading international platform for Russian companies working with investors in international capital markets. Currently, over 60 Russian legal entities are trading there, including Gazprom, Rosneft, Sberbank, VTB, Lukoil and a number of other leading companies and banks.

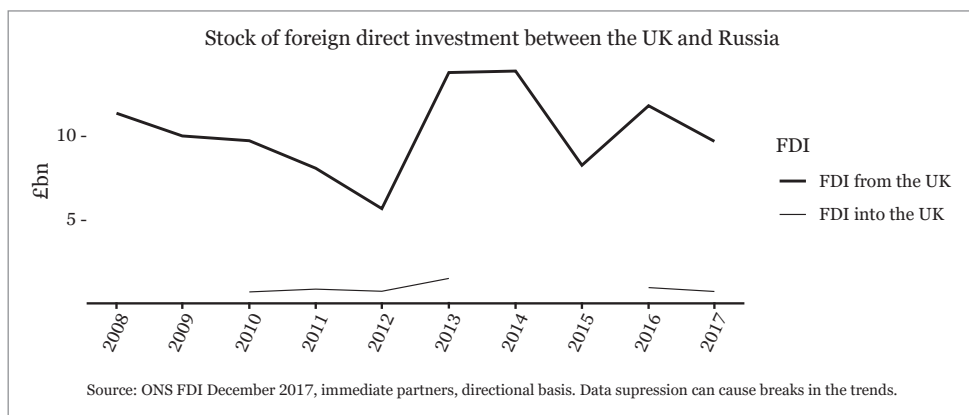


Figure 3: Stock of FDI between the UK and Russia, 2017.

Unlike trading, the prospects for investment cooperation are less optimistic. On the one hand, there is a clear imbalance towards greater attractiveness of the UK market for Russian investors compared to the interest of British partners in cooperation with Russia. The stock of FDI from the UK into Russia was GDP 9,7 billion in 2017, 18,1% lower than in 2016. In 2017, Russia accounted for 0,7% of the total outward UK FDI stock.²⁶ The stock of FDI from Russia into the UK was GDP 899 million in 2017, 19,9% lower than in 2016. In 2017, Russia accounted for 0,1% of the total inward UK FDI stock.²⁷

²⁶ Office for National Statistics, available at <https://www.ons.gov.uk/businessindustryandtrade/business/businessinnovation/datasets/foreigndirectinvestmentinvolvingukcompaniesoutwardtables>, accessed 15 April 2018.

²⁷ Office for National Statistics, available at <https://www.ons.gov.uk/businessindustryandtrade/>

Yet, it should be noted that, as a result of the devaluation of the Russian currency, some Russian companies owned by British citizens have increased their investments in energy production. For instance, JSC INGA (UK) increased investment by USD 8,03 million in the oil and gas production sector in 2015.²⁸

Role of Business in the Revitalisation of Russian-UK Relations

To assess the prospects for further development of economic relations between the two countries, we consider various factors and positions of the two sides determining the vectors of such cooperation.

First, the role of the UK business community should be noted, as it showed interest in continuing regular relations with Russian partners, which in many ways has allowed the UK to maintain its position as one of Russia's leading trading and investment partners. Currently, about 600 UK companies are still operating successfully on the Russian market. The UK maintains its position among the top ten countries in terms of the accumulated capital investments in Russia.

UK companies have continued working with Russia despite the extension of the sanctions. In turn, the Department of International Trade (DIT) of the United Kingdom has repeatedly stated that Russia is an important trading partner for the UK, and every company has the right to make its own decisions regarding its trade and economic ties with Russia. The UK business indicates that the energy sector, information and telecommunications technology sector, aerospace engineering, transport infrastructure, general engineering and medicine are the priority sectors for cooperation on the Russian market. At the same time, the best opportunities for bilateral interaction are offered by pharmaceuticals and financial services, construction, sports and recreation infrastructure, and the digital sector.

The presence of Russian businesses in the UK is also important. The most attractive sectors for investment cooperation include the financial sector, energy, retail, engineering, mining, transport, communications, pharmaceuticals, and real estate.²⁹ In addition, interest remains in bilateral cooperation at the level of the

business/businessinnovation/datasets/foreigndirectinvestmentinvolvingukcompanies2013inwardtables accessed: 15 April 2018.

²⁸ Ruslana Database [in Russian], available at: <https://ruslana.bvdep.com/version-2018126/home.serv?product=Ruslana>.

²⁹ Embassy of the Russian Federation in the United Kingdom of Great Britain and Northern Ireland, 'Economic Cooperation', Embassy of the Russian Federation in the United Kingdom of Great Britain and Northern Ireland [in Russian], available at: <https://www.rus.rusemb.org.uk/economy/>.

Russian and UK regions. The Russian-British Chamber of Commerce provides active support in the development of trade, economic and investment relations.

The main item on the agenda of the last meeting of the Russian-British Chamber of Commerce, held in Cambridge in February 2017, was about the entry of British goods onto the Russian market under the current anti-Russian sanctions. UK experts on Russia and representatives of Adnams, Burlington Drinks and Grace Foods working in Russia argued that doing business on the Russian market was profitable and had great prospects, and pointed out the importance of building direct relations with Russian partners.³⁰

We should also mention the results of the annual Russian-British Business Forum (RBBF), held on 26 November 2018 in London with the purpose of developing trade and investment cooperation between Russia and the UK. At this event, representatives of political and business circles highlighted practical issues related to the development of markets and trade relations, export policy, investor relations and various ways of expanding bilateral and multilateral cooperation in various industries.³¹ The theme of the RBBF-2018 was 'Partnership in Innovations', focusing on Russia's export potential in high-tech industries, creative industries and the services sector. It was noted within the framework of the forum that if the existing dynamics of macroeconomic indicators are preserved and the potential of trade and investment cooperation between Russia and the UK is realised, the trade turnover between the two countries may double within the next five years. Thus, despite the current difficulties in political relations, bilateral economic relations continue to develop, primarily due to the maintenance of constructive interaction between the business circles of Russia and the UK, preventing more substantial degradation of trade and economic cooperation.

Effect of Brexit

One of the most discussed factors that will undoubtedly have a great impact not only on bilateral relations but also on the whole range of relations between Russia, the UK and the European Union is UK's withdrawal from the European Union. The difficult Brexit negotiations and their long-term effect on the development of

³⁰ Embassy of the Russian Federation in the United Kingdom of Great Britain and Northern Ireland, 'Economic Cooperation'.

³¹ Trade Delegation of Russia in the UK 'IV Russian-British Business Forum – Partnership in Innovation', (Trade Delegation of Russia in the UK, 2018, August 8) [in Russian], available at <http://rustrade.org.uk/rus/?p=2036#more-2036>

the UK economy are forcing the country to seek access to free markets for British products and investments. A global review of the UK's foreign economic cooperation with both the EU and other countries is a rather lengthy and costly process.³²

The possible impact of Brexit on bilateral cooperation may be due to an increased uncertainty in both national and international markets. During the sanctions period, the share of trade in services (about 6%) in Russia's total trade has significantly exceeded the share of trade in goods (about 2%). Today, London is Russia's prominent partner in trade in services; however, risks in the UK economy from the Brexit situation primarily threaten the service sector, including insurance and business consulting services. With regard to trade in goods, the UK may unilaterally use various restrictive trade measures to protect domestic producers, for example, in relation to products of the Russian chemical industry and metals. In terms of the sanctions policy, the UK is currently one of the most active lobbyists for strengthening the sanctions agenda against Russia in the European Commission. After Brexit, we can expect London to further impose economic sanctions against Moscow, although unilaterally. Yet, European sanctions can be mitigated significantly after the completion of the UK's formal participation in decision-making procedures in EU institutions.³³

Conclusion

The ongoing deterioration of relations between Russia and the UK against the background of economic sanctions has not had a catastrophically negative impact on the volume of Russian-British trade in goods and services, and Russian-British economic relations developed progressively over the period of 2017-2018, maintaining an upward trend of 20% per year. Russia is firmly established among the top-20 major partners. The main reasons for the resumption of positive dynamics in commodity turnover have been the stabilisation of prices of hydrocarbons on the world market, as well as the positive dynamics in the Russian economy.

In assessing the prospects for Russian-British trade, we should note that its dynamics in the near future will depend on a number of external and internal factors,

³² T. Andreeva, 'On the Prospects for the Establishment of Russian-British Relations' (Moscow: Russian Council on International Affairs, 2017) [in Russian], available at <http://russiancouncil.ru/analyt-ics-and-comments/columns/europeanpolicy/o-perspektivakh-nalazhivaniya-rossiysko-britanskikh-ot-nosheniy/>.

³³ Yu.K. Zaitsev, 'Evaluation of the Results of the Presidency of Germany in the EU', *International Organisations Research Journal*, Vol. 2, No. 7 (2007) [in Russian].

which include the extension of the EU's sanctions policy as well as the dynamics of prices for energy and raw materials that traditionally occupied key positions in the structure of Russian exports to the UK. Another factor holding back the growth of UK imports and British investments in Russia could be the understated growth rate of the Russian economy.

Despite the objective factors constraining the growth of Russian exports to the UK, it has a number of promising areas for development. These include deliveries to the UK market of chemical products (pharmaceuticals, plastics, rubber and paintwork materials and fertilisers), Russian equipment (medical, energy, navigation, satellite, aviation, geological and others), construction materials, components for the automotive industry, and the sectors of security, cyber security and antivirus protection, as well as a variety of food products.

Services could make a significant contribution to the development of bilateral cooperation. There are prerequisites for expanding exports from Russia not only of traditional types of services (business, transport and tourism) but also of new areas (financial, communication, insurance, information and engineering). Despite the negative dynamics in the financial market associated with the sanctions regime against Russia, the London Stock Exchange remains the main platform for leading Russian companies from the commodity (raw materials) and financial sectors.

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