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CHIEF EDITOR'S REMARKS

Vladimir V. Shapovalov

MGIMO University

Dear readers of the International Business magazine!

Nowadays, the global economic landscape is undergoing significant changes. Digitalization of almost all economic sectors stimulates the development of innovation, scientific and technological progress.

In the third issue of the magazine you will learn about the impact of digital transformation on state institutions and the mechanisms of stimulating innovative activity, in the article of G. Sardaryan, Dean of the Dschool of Governance and Politics, Associate Professor of the Department of Public Governance at the MGIMO University.

I. Turuev and S. Pertseva, Professors of the Department of International Finance at the MGIMO University, present a comprehensive statistical analysis of the changing impact of payment systems in the global economy with the rapid development of Fintech.

Changes in the world economic order have affected the field of international relations, including bilateral relations.

S. Mandviwal, Chairman of Senate Finance Committee of Pakistan, A. Shaikh and K. Shaikh introduce readers to promising areas of cooperation between Russia and Pakistan.

R. Reinhardt, Associate Professor of the Department of Diplomacy at the MGIMO University and A. Fogel highlight the opportunities for mutually beneficial energy partnership between Russia and Iran aimed at strengthening the influence of these countries in the global energy market.

The special guest of the issue is M. Liksutov, Deputy Mayor of Moscow for Transport, who shares his managerial experience in implementing the strategy of the Russian capital's transport system development in his interview.

Sincerely,
Chief Editor,
Vladimir Shapovalov

GLOBAL TRENDS IN DRIVING INNOVATION IN PUBLIC GOVERNANCE THROUGH DIGITAL TECHNOLOGIES AND DIGITAL GOVERNMENT MECHANISMS

Henry T. Sardaryan

MGIMO University

Abstract

The author analyzes the impact of digital transformation on public institutions in the context of improving the quality of life and supporting the UN Sustainable Development Goals. It seems increasingly clear that there is a need to intensify efforts to bridge the digital divide, improve the quality of data management and mitigate the risks associated with new technologies such as artificial intelligence. While the COVID-19 pandemic has increased the use and highlighted the importance of information and communications technology, it has also revealed the need for an adequate balance between online and offline public service delivery.

The author emphasizes that governments should allocate annual funding to facilitate the development of domestic information technological solutions and encourage the procurement and purchase of critical domestic solutions that could enhance their digital capabilities. Integrated technologies should become available as soon as possible, as it is difficult to overestimate their impact on structural changes in the economy, the creation of new industries and enterprises, as well as the development of breakthrough products and services.

Keywords

Public governance, digital technologies, government digitalization, innovations, ICT, cryptocurrency.

INTRODUCTION

Since 2016 the United Nations Committee of Experts on Public Administration has been discussing the challenges and opportunities facing public institutions in the information society. Among other things, it addresses ways to improve interaction and communication between governments and stakeholders. Based on the Committee's recommendations ECOSOC urged governments to develop open government as a model of citizen-centered governance that establishes a new relationship between public governance and society.

At its 21st session the Committee emphasized that the digitalization of government and society continues to provide great opportunities to accelerate development, improve the quality of public services, fight corruption, reduce inequalities, provided that governance is effected in a fair, ethical and people-oriented manner.

In this regard, it is important to consider the links between digitalization, public service delivery and innovation, inter alia by clarifying emerging trends and describing the challenges and opportunities associated with them.

In November 2022 the world population reached 8 billion people and it is expected to continue rising to around 8.5 billion in 2030. The world will see continued urbanization, with 56% of the total population living in urban areas in 2021 up to 68% in 2050 respectively. This will increase the number of urban residents by 2.2 billion, mainly in Africa and Asia.

In 2022 73% of the world population over the age of 10 owned a mobile phone (up from 67% in 2019). The number of Internet users has reached 5.3 billion (66% of the world's population), 24% growth compared to 2019. The number of social media users has nearly doubled, from 2.3 billion in 2016 to 4.2 billion in 2021.

This pace of digital engagement, coupled with rapid technological change, including new and emerging technologies, has a tangible impact on the development of public governance systems around the world. However, it is essential to make sure that these changes improve the quality of life and do not lead to changes in the interest of multinational corporations only. It is vital, inter alia, to take efforts to bridge the digital divide, improve data management and mitigate the risks posed by new technologies such as artificial intelligence and social media through new policies, regulatory regimes and standards.

DIGITAL ACCESS AND NEW STANDARDS

The COVID-19 pandemic has accelerated the technological trends that have been gaining momentum over the recent decades, giving a powerful impetus to the further digitalization of many aspects of

everyday life, including the activities of government agencies, business, education and even international relations. Substantially accelerated digitalization of governments caused by the pandemic bears a profound impact on the exchange of data and information, the delivery of public services and opportunities for collaboration within government with citizens and other actors.

However, the experience of the pandemic has also highlighted the importance of an adequate balance between virtual and real public service delivery, since many important issues can only be resolved through direct contact, require political communication and building trust between citizens and state officials.

In this regard, national digital strategies should be result-oriented and ensure the widespread introduction of digital technologies, which is especially important for bridging the digital divide within and between states. Apparently, the main effectiveness criteria should be the improved quality of life and well-being of citizens. One of the main challenges in transition to large-scale introduction of innovative technologies such as artificial intelligence is the barriers to their widespread use, most notably the difficulty of ensuring developers' access to unbiased and complete datasets.

As part of their national digital strategies, governments should encourage the development and procurement of critical domestic information technologies to meet state and municipal needs, which in turn could enhance their digital capabilities, inter alia through the allocation of annual budget funds for their development. Investment and incentives to support domestic development and production can be used to facilitate the digitalization of public governance. A common practice, for instance, is the policy of tax incentives aimed at IT companies.

Public policy should also be aimed at encouraging the further development of end-to-end technological solutions, considering their impact on structural changes in the economy, the creation of new industries and enterprises, the development of technologically advanced and innovative products and services. There is, for instance, a need to move from isolated experiments and pilot initiatives to the launch of AI-driven end-to-end solutions, especially in areas that determine the quality of human life.

At the same time, it should be noted that innovative technological projects are impossible without improving the training of engineers and IT specialists. We hear more and more voices in support of integrating their education in the school curriculum. Moreover, the training of a new generation of engineers and IT professionals in developing countries should be supported by international organizations and donors. In this respect, it is vital to ensure adequate remuneration and funding to improve the living standards of public sector IT specialists, particularly to

prevent brain drain from developing countries.

PUBLIC GOVERNANCE AND CRYPTOCURRENCIES

A notable trend in digitalization has been the rise of cryptocurrency markets which requires an entirely new form of regulatory oversight by governments. Cryptocurrencies are secured by cryptographic methods and the transactions are effected digitally using an encrypted technology known as blockchain.

The first decentralized cryptocurrency was created in 2009 and as of 2022 there were more than 19 thousand outstanding cryptocurrencies compared to 1.5 thousand in 2018. Numerous service providers, mostly private, such as decentralized financial platforms, crypto exchanges and digital wallet applications help keep the system running [4].

The Asia-Pacific region has become one of the leaders in this area. From July 2020 to June 2021 Central and Southeast Asia and Oceania accounted for 14% of the global cryptocurrency value ($572 billion) and East Asia for 14% of the global cryptocurrency transaction value ($591 billion). The aggregate activity in these regions was equal to about 35% of the global cryptocurrency value (more than $1.43 trillion) [5].

In 2021 El Salvador became the first state to adopt bitcoin as the country's official currency. In 2022 the Central African Republic followed the suit. Some perceive this as an opportunity to reduce dependence on the US dollar [6].

The use of cryptocurrencies creates opportunities, but also comes with challenges that may damage governance systems and undermine stability, especially in developing countries. This inter alia may cause risks to financial stability (monetary regulators would have to step in to restore financial stability in case cryptocurrency prices fall). Cryptocurrencies also constitute a new channel for illicit financial flows and undermine the efficiency of capital controls. Moreover, cryptocurrencies may turn into a common legal tender and even unofficially replace national currencies, which may threaten the monetary sovereignty of states [7]. There is also an issue of levying and transferring taxes when making transactions in cryptocurrency.

In view of the above problems, adequate regulation of the cryptocurrency market is essential and many states, including developing ones, have begun to take adequate measures. As of November 2021 41, states banned banks and other financial institutions from dealing with cryptocurrencies or crypto exchanges from offering services to individuals and businesses. Nine developing countries have introduced a complete ban on cryptocurrencies. Several other countries have introduced an income tax on capital gains from cryptocurrency trading. Crypto exchanges have become subject to national anti-money laundering and counter-terrorist financing laws in several jurisdictions.

Several countries have also banned the activity of cryptocurrency miners. This has forced some of them to relocate their business to Central Asia with access to inexpensive power, but which lacks sufficient power to meet consumer demand. Miners' activity in the region is mostly illegal. However, the authorities are aware of this problem and declare their intention to ban cryptocurrency mining.

KEY TRENDS IN INNOVATIVE PUBLIC GOVERNANCE

Innovative approaches to ICT in the public sector are one of the main means of improving the quality of life. Dubai, for instance, is committed to completely paper-free government, eliminating more than 1 billion paper documents used in public transactions each year, saving time, resources and keeping the environment safe. Since the government will have to go completely paperless, 100% of customer-oriented internal processes and services will have to be digitized.

One of the leading countries in the digitalization of government is Russia. In some industries it even tops the rating, actively promoting the digital agenda in a variety of forms and mechanisms. It was the Russian government that first issued a regulatory legal act in a digital form, administrative regulations of Rosobrnadzor, Federal Science and Education Supervision Agency. It implied paper-free cycle of development and approval of a document containing information on the assessment results regarding the activities of scientific organizations subordinate to federal executive authorities that perform research, development and technological work for civilian purposes.

Some countries in the African region are characterized by a high level of population engagement in the digitalization of trade and money. In 2021 8.5% of Kenya's population (about 4.25 million people) owned digital assets. During the pandemic, in terms of fees and speed, cryptocurrencies were an attractive way to transfer money. Moreover, cryptocurrencies, which are mostly held by middle-income people in developing countries and especially in countries facing currency depreciation and rising inflation (caused or exacerbated by the COVID-19 pandemic), were viewed by households as a store of value.

While some states lack a systematic approach and strategic vision, others apply concrete and effective solutions in public governance digitalization. Guyana, for instance, has implemented comprehensive reforms engaging ministries and government agencies in government ICT mapping and multidimensional capacity assessments. Their experience shows that when assessing the degree of ICT in government ministries it is also essential to assess the skills of employees and business processes of public services [8].

CONCLUSION

An analysis of the main trends in public governance digitalization in view of its objective to improve the quality of life suggests that national digital strategies should aim at tangible results, to provide wide access to digital technologies, to bridge the national and international digital divide and to improve living standards and well-being of citizens. The development of end-to-end technologies should be facilitated and their adoption accelerated given their impact on structural changes in the economy, the creation of new industries and enterprises, the development of technologically advanced and innovative ICT products and services. National digital strategies should also encourage the development and procurement of national technologies and software products that could enhance the digital capabilities of states.

At the same time, we should not equal driving the digital environment development to the lack of control. Adequate regulation of cryptocurrencies is essential and the national efforts in this area should be intensified. Improving the security of information systems and communication networks in government institutions is still vital since reducing the risk of leaks and misuse of personal information of citizens should remain a priority.

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GLOBAL CHALLENGES AND MAJOR TRAJECTORIES OF PAYMENT SYSTEMS EVOLUTION

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Abstract

Payment systems, as one of the areas of global financial digital transformation, have not been studied thoroughly and objectively. Some researchers believe that payment services make up a substantial share of all fintech projects. This is determined by the relative simplicity of payments as financial products [1]. First, fintech companies engaged in payments business are able to expand their customer base relatively fast and at low cost. Second, today's technological development in payments enables constant introduction of new innovation-driven features and capabilities. Third, payments are financial services that are most popular with both legal entities and individuals. For instance, today cross-border payments are viewed as one of the key tools of sanctions pressure [2]. With these factors in mind, the objective of this article is to provide an overview of current trends and challenges in the development of the global payment industry.

Keywords

Payment systems, sanctions, stablecoin, digital currency regulation, cross-border payments, emission quotas, national regulators.

Amid macroeconomic shocks and geopolitical turmoil, the payment system is designed to ensure:

- continuity;
- reliability;
- stability of settling monetary claims

and liabilities generated by economic agents;

Currently, the expert and academic community around the world is seeking alternative solutions to ensure effective economic development. The key objective is to facilitate efficient payments and settlements both domestically and internationally by promoting national projects and technologies with focus on regional agreements and arrangements. Apart from that, a tangible aspect is the large-scale digitalization in the settlement and payment segment.

Today, we witness meticulous efforts at the regional and international levels to mitigate the risks and threats to the financial stability of individual states and the entire world economy associated with large-scale digitalization, in particular, related to stablecoins and digital currencies of central banks.

It is important to note the immutability of regulatory framework on the settlements and payments market with various and abundant available tools and in view of the lack of a clear division of responsibility among market participants [3].

Despite the rapid development of the payments industry, both in connection with digitalization and due to the growing volume and cost of settlement transactions, several systemically important problems are obvious.

The problem associated with cross-border payments is particularly acute. Thus, according to consulting firms, the aggregate annual growth of cross-border payments on developed and emerging markets in 2018-2022 reached 5%, with international payment transactions growing by 11% and 2% on emerging and developed markets 2% respectively. At the same time, it is worth mentioning that national payments are usually made through highly standardized payment networks [4]. Meanwhile, cross-border settlements are often effected through a chain of three or four banks around the world and may involve several payment systems. Moreover, this payment should contain the technical data of all participants in this payment chain: account numbers, bank identifiers and route numbers to ensure the continuity of settlement obligations fulfillment. This data should have the appropriate format for a clear understanding of the transaction in any part of the world. Delays and failures in cross-border payments may be caused by mismatches in the payment information supply chain.

Banks, businesses and suppliers from different countries may not enjoy the same level of interaction with each other as they do with national suppliers. Poor communication may cause misunderstanding

of information, incomplete payment data and possible due diligence warning signs, which in turn may lead to potential payment failure.

To alleviate the problems associated with cross-border payments we see a number of measures taken. They include the adoption of the ISO 20022 standard (an international standard for the exchange of electronic messages between organizations in the financial services industry), which implies:

- inclusion of more complete and better structured transaction data in payment messages;
- ensuring more accurate compliance processes;
- improved fraud prevention;
- developing the sufficient basis for the uninterrupted and continued transfer of payment data around the world;
- eliminating the risk of data loss or conversion, which often causes delays in the current environment.

In addition to standardizing international payment transactions, we witness active use of various technical tools to verify payment data when initiating payments, namely, routing directories and artificial intelligence solutions can define the most successful payment route and confirm all necessary bank identifiers. The tool facilitates transparency about fees and delivery time and provides end-to-end tracking of payments by payment service providers.

The key trend in the development of the modern payment industry is the large-scale application of modern technologies, which ensures:

- continuous tuning and optimization of the system for detecting dubious payment transactions;
- Application of new technologies such as machine learning and artificial intelligence to eliminate as much noise as possible.

It is worth noting that the use of a data or information exchange portal that connects all parties in the payment chain can help simplify data collection and enable correcting errors or blocking and reversing payments, which will allow companies to increase control over the process, as well as ensure the collection of accurate data about payment recipients and the use of reliable banking and identification solutions in settlements.

The introduction of automated payment services enables a precise analysis of income and costs in real time, taking into account foreign exchange transactions and adjusted for exchange rates fluctuations, saving time and preventing errors. One of the key features of this solution is the payment management function.

A characteristic feature of the payment system digitalization is the connection of companies through an application program interface, better known as API. This solution substantially simplifies the payment process. Thus, according to a McKinsey study on the global payments

market, the growth of the payment industry revenue on international markets in 2021 reached 11% and its growth forecast is estimated at $3 trillion by 2026 [5]. Such figures are feasible due to the rapid digitalization of the payment segment.

Currently the expert community focuses on introducing innovative payment solutions for the effective implementation of international payments and settlements. At the same time, when expanding abroad, it is necessary to use simplified payment solutions. Meanwhile, for the development of this segment it is vital and urgent to create special structural divisions and departments with specialists to perform processes that cannot be automated.

To ensure efficient scaling of the payment business it is necessary:

- to overcome language and cultural barriers;
- to meet the needs of new clients;
- to address compliance and regulation issues.

The problems of outdated technological systems, lack of specialists and safe and reliable payment systems are becoming critical today.

Thus, the effective management of cross-border payments is one of the main factors contributing to business development in the current environment, which implies:

- application of modern technological solutions;
- reduction in the amount of time-intensive and costly manual work which increases risks, including those associated with operational errors;
- development and implementation of a scalable platform for currency conversion and settlements in transactions between clients and suppliers.

Modern cross-border payments have an upward curve and international payments flows are projected to reach $150.7 trillion in 2022.

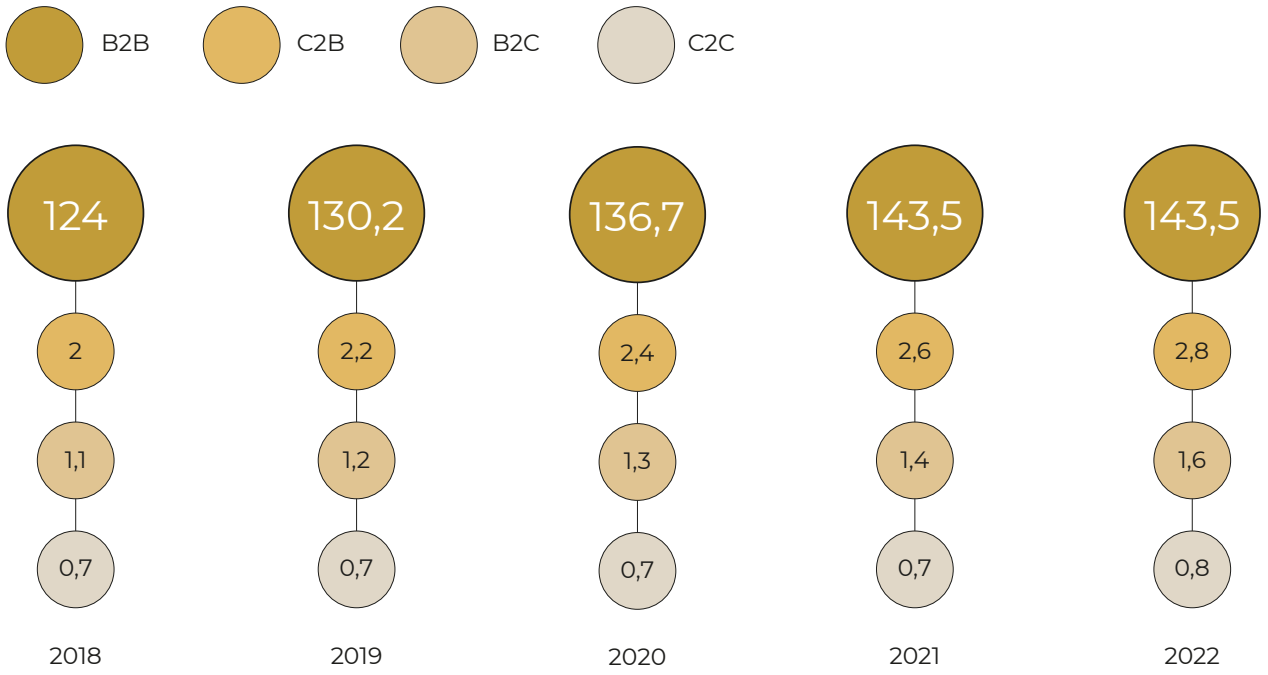

Figure 1. Modern segmentation of cross-border payments.
Source: EY Global (2021), Can business trade tomorrow on today's strategies, available at: https://www.ey.com/en_uk/global-trade/can-business-trade-tomorrow-on-todays-strategies (Accessed 12 April 2023).

Figure 1 shows the current segmentation of the cross-border settlement market, which in 2022 was equal to $150.7 trillion. Such growth is explained by the penetration of the solutions developed in the financial technology industry into settlement and payment relations and the introduction of adaptive payment digital systems capable of operating globally [6].

A significant number of paytech startups are developing solutions

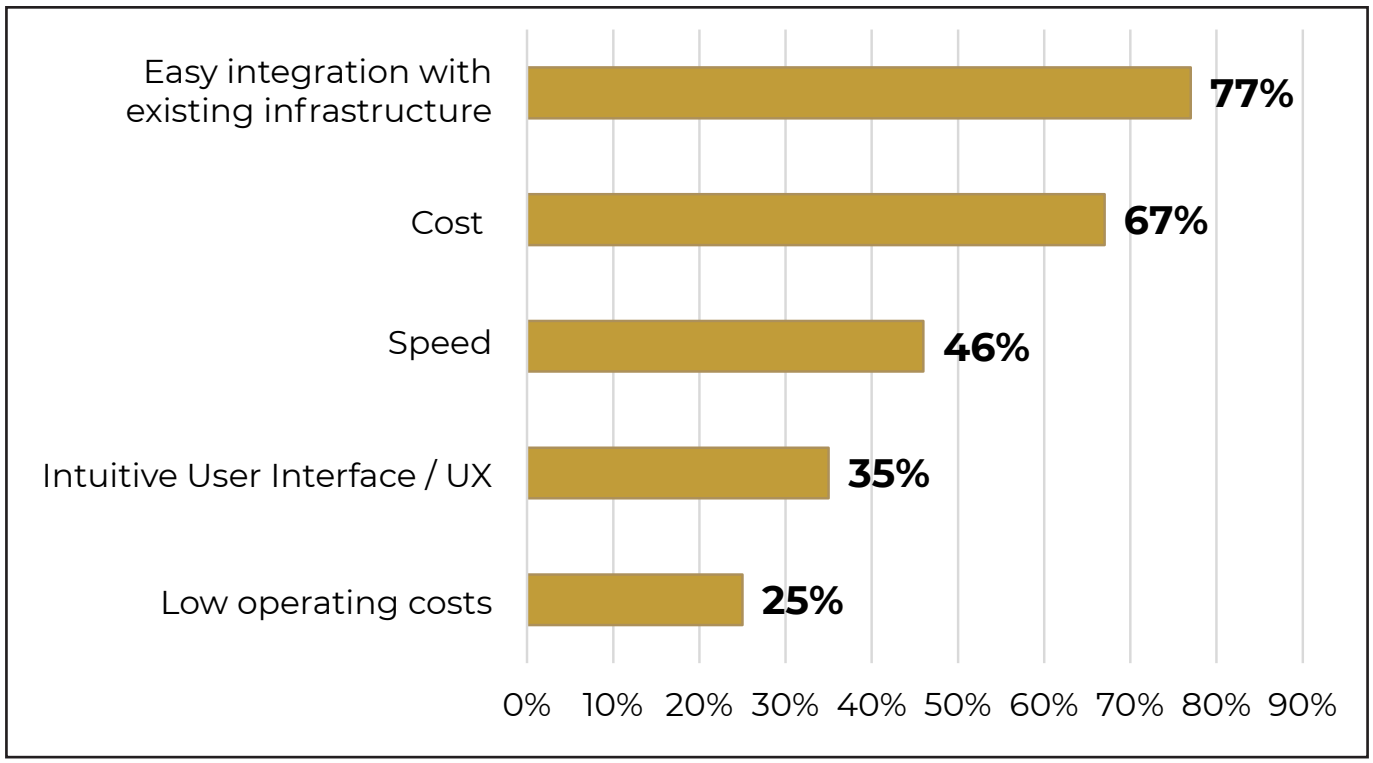

Figure 2. The main requirements of companies for payment services in international settlements.
Source: EY Global (2021), Can business trade tomorrow on today's strategies, available at: https://www.ey.com/en_uk/global-trade/can-business-trade-tomorrow-on-todays-strategies (Accessed 14 April 2023).

to simplify and reduce the cost of cross-border B2B payments, some innovative companies are using alternative methods such as blockchain and cryptography.

Figure 2 shows the hierarchy of business requirements for payment services in international settlements. They include:

- a high degree of adaptation of modern technologies to regulatory changes, which will ensure compliance with future requirements;
- understanding the requirements for access to financial services of each country and consideration of these requirements, which enables companies to act in good faith when compliance is grey;
- reliable regulatory framework with digital solutions that is easy

to check and update;

- introducing horizon scanning function in payment business processes to anticipate changes in legislation that may come into force so that business will be ready to adopt such changes;

- compliance automation can help corporations reduce the administrative burden of regulation in the process of scaling up;

- moving away from manual processes through technologies and tools such as artificial intelligence and use of vast data to control information and cash flow among other things.

An important area of payment industry development is counteracting dubious payment transactions. In this regard, the use of KYB (Know Your Business) platforms is of particular importance.

KYB platforms constitute aggregated data from multiple sources to facilitate business verification. At the same time, banks and card payment systems operate as partners and invest in electronic wallets, launch large-scale payment platforms, including:

- Standard Chartered's cooperation with Toss, the largest payment company in South Korea managed by Viva Republica;

- Visa's stake in Interswitch, a Nigerian payment company, operator of the mobile payment platform Quickteller.

An interesting initiative is the launch of a payment network with several digital currencies mCBDC. New technologies in this area will open up development opportunities for commercial banks, as they will be able to offer their clients innovative on-network products and services, such as smart contract-based money management. Commercial banks will have the right to use their inhouse technological capabilities to participate in developing a special multi-currency payment system for digital currencies of central banks.

In this respect, we highlight the experience of Citigroup which actively uses electronic wallets, innovative bank transfers and Request to Pay and Open Banking technologies. Citi is working on digital consumer payments in collaboration with Mastercard Payment Gateway Services which has access to the network of numerous acquirers and e-wallets around the world [7]. In addition, the financial conglomerate is expanding its global payment network, enabling instant transfers in more than 20 new countries.

Let's look into the PPRO experience. In the first quarter of 2021 payment system PPRO reached a billion dollar valuation when it raised funds at $180 million, followed by a second round at $90 million from JPMorgan Chase. The financial holding company hopes to further expand its operations in Latin America and the Asia-Pacific region. As part of its comprehensive strategy, JPMorgan Chase intends to develop and promote its payment services through the PPRO system.

An important example is Russian case based on the analysis of Sberbank's experience. The Sber ecosystem comprises more than 40

companies of various profiles. In 2020 Sberbank launched a new system of payment services, SberPay, enabling online and offline payments, which was a strategic step in building the ecosystem and allowed Sberbank to save external fees for tokenized transactions [8].

An extremely relevant trend is the implementation of payment mechanisms on the market of carbon credits.

Carbon credit is the verified result of the climate project, expressed in the mass of greenhouse gases equivalent to 1 ton of carbon dioxide.

In the academic literature it is customary to distinguish two types of carbon credits:

- voluntary credits — carbon credits, the verified result of the climate project, expressed in the mass of greenhouse gases equivalent to 1 ton of carbon dioxide. In Russia they appeared only in September 2022.
- emission reduction credits — the verified result of compliance with the established quota, expressed as the difference between the established quota and the actual amount of greenhouse gas emissions equivalent to 1 ton of carbon dioxide. It appeared in Russia as part of the Sakhalin experiment in 2022.

This classification implies two types of markets for carbon credits - voluntary and mandatory. In some jurisdictions (including the Sakhalin experiment) these markets are intercorrelated.

Human-made emissions of greenhouse gases cause rise in the average temperature in the atmosphere, which in turn leads to an increase in the frequency and severity of the implications by extreme weather events. It is important to annotate the chronology of international decision-making to combat global warming.

Thus, on 9 May 1992, as part of establishing an international system for regulating greenhouse effects, 198 parties adopted the UN Framework Convention (UNFCCC) on climate change. Today its scope implies an almost universal international legal tool. The main goal of the UNFCCC is to prevent dangerous anthropogenic impact on the Earth's climate system.

The Kyoto Protocol was adopted on 11 December 1997, which is a framework to develop the provisions of the UNFCCC committing industrialized countries to limit and reduce greenhouse gas emissions in accordance with agreed individual targets. Currently it is not effective due to the end of the commitment period (2 commitment periods: 2008–2012, 2013–2020).

On 12 December 2015 193 parties adopted the Paris Agreement with the general objective to limit temperature rise to 1.5 °C [9]. This tool also contains information on the sustainable development action plan to adapt to a changing climate, mechanisms for cooperation and financing.

Emission quota system represents the implementation of a

special procedure for regulating emissions on the basis of consolidated estimate in the experimental areas against emission reduction targets.

The emission trading system is an effective tool for carbon regulation as it encourages the reduction of greenhouse gas emissions through carbon trading (in the amount of the difference between the established emission cap (quota) and real emission) and implies penalties for exceeding the cap. Its main parameters are:

- the prevalence of the emission cap and trade system is widespread in more than 40 jurisdictions (27 EU countries 3 (Iceland, Liechtenstein, Norway), UK, China, California (USA), Quebec (Canada), RGGI (USA));
- some jurisdictions allow taking into account the result of climate projects for meeting quotas, but to a limited extent.

Looking into global experience in this field we can single out two systems of emissions trading:

- European Emissions Trading System. This is the world's largest system of regulation of greenhouse gas emissions based on the principle of serviceability, which was launched in 2005 [10]. It is effective in 30 countries: 27 EU countries + Iceland, Liechtenstein and Norway and covers 40% of greenhouse gas emissions. This system aims to reduce emissions by the largest emitters in the power and various manufacturing industries, as well as those caused by air travel between airports in the ETS countries. Depending on the industry, emission permits are either purchased through auctions or allocated free of charge.
- China National Emissions Trading Scheme. It was launched in 2021. The system covers more than 2,200 companies in the energy sector (including combined heat and power production and captive power plants in other sectors), which emit more than 26 thousand tons of CO2 per year. The Chinese system allows the use of special carbon credits within climate projects to offset up to 5% of confirmed emissions [11].

According to Taskforce on scaling voluntary carbon markets, the demand for carbon credits will grow 15 times by 2030; 100 fold rise in the demand for carbon credits by 2050. The market is expected to reach $50 billion and the emissions that could be "offset" by credits purchased on voluntary markets in 2020 are projected to reach 95 million tons in 10 years [12].

At the moment it is possible to buy or sell carbon credits on:

- exchange. Major commodity and energy exchanges trade in credits and futures contracts for a certain number of credits of the same type;
- over-the-counter market. Over-the-counter market facilitates transactions through the climate project contractor directly, which allows the seller and the buyer to negotiate the transaction themselves without intermediaries, whereas the price is not made public.

The reasons for buying voluntary carbon credits are the following:

- reduction in own emissions in reporting;
- reduction in the carbon footprint of products;
- offset under mandatory emission control systems (limited application in some national quota systems).

In 2021 Russia experienced a real breakthrough in understanding global issues such as carbon neutrality and energy transition. At the same time, speaking about the progress of the matter we should single out the following periods:

- 2017-2022 Rusal produces low-carbon aluminum. Emissions are reduced through the use of more modern technologies and power from renewable sources;

- March 2021 Gazprom and Shell jointly offset the carbon footprint of an LNG shipment with VCS and BCC emission certificates. The CO2 emission credits used in the deal will be paid off;

- July 2021 Norilsk Nickel produced the first batch of carbon-neutral nickel (5 thousand tons) by reallocating saved tons of CO2 from emission reduction measures;

- September 2021 Aeroflot and Gazprom Neft enter into an agreement on the supply of low-carbon fuel certified under the CORSIA aviation carbon offset program [13].

The most important achievement in the fight for carbon neutrality was the launch of the national register of carbon credits in Russia on 1 September 2022, which includes the voluntary carbon credits with the following life cycle:

1. selection of project type, location, timing and methodology. Preparation of project design documents;
2. validation of the project by an accredited agency and registration of the project in the register;
3. implementation and monitoring of the climate project. Verification of project result. Then the carbon credits are issued and submitted for sale and reservation.

A climate project is commonly understood as a set of measures that reduce (prevent) greenhouse gas emissions or increase their absorption, taking into account the absorbing capacity of ecosystems (technological and natural).

Each project should go through assessment and confirmation of its compliance with the criteria of climate projects:

- project activities are in line with the law of the Russian Federation and the constituent entities of the Russian Federation;
- reduction in greenhouse gas emissions and/or increase in their absorption are not the result of factors not related to the project activities;
- the result of the project is the reduction (prevention) in greenhouse gas emissions and / or increase in their absorption;

- the project activities are complimentary to the mandatory ones and do not cause emissions outside the area of the activities.

To register a climate project in the Russian register of carbon credits it is necessary: to have a positive validation report, an account of a legal entity on the unified state web portal of public services. If the climate project performer is a legal entity, to identify an authorized person (employee) who will carry out operations in the register on behalf of the company. It is necessary to submit an application for signing an agreement with the operator of the carbon credits register and open a personal account in the carbon credits register (carried out by the operator of the Register when such an agreement is signed) and pay for the service at the operator's tariff.

After opening a personal account, it is necessary to submit an application for registration of a climate project with a positive validation report attached, as well as pay a registration fee at the operator's tariff. Moreover, it is mandatory to prepare a report on the project in the required form and calculate the result of the project in carbon credits. It should also be supplemented by report verification carried out by an independent accredited agency from the list of Rosaccreditation. The verifier is to confirm how correct the calculation of the result is and to issue its own report. It is also required to file an application with the register operator to issue carbon credits on the public services web portal (free of charge). Entry of carbon credits into the account and their issue are effected through submitting an order by the climate project performer to the register operator with the fee paid (at the operator's tariff).

From the standpoint of international monetary and credit relations evolution, the project of a global stablecoin as a supranational currency is of particular interest.

There is quite active academic search in the development and implementation of a supranational currency. Different governments declare the need for a policy of global de-dollarization. In the current era of the rapid pace of digital technologies development and their penetration into the financial sector we see new ideas to create a global virtual currency driven by blockchain.

It is worth noting that the idea of stablecoin status of a supranational currency is seriously considered by the expert and academic community. So, on 13 October 2020 the G20 Financial Stability Board released a document with a report and recommendations "Regulation, Supervision and Oversight of «Global Stablecoin» Arrangements" where a stablecoin is viewed as a potential supranational currency [14].

The Financial Stability Board proposed its vision of the role attributed to stablecoins in the system of international finance. The position of the authors who released the document boils down to

the following: stablecoins are recognized as a type of digital assets and global stablecoins, in turn, are a type of stablecoins. Stablecoins are distinguished from other types of digital assets (for instance, cryptocurrencies) by special stabilization mechanisms that reduce the volatility of this asset.

G20 experts note two possible types of stabilization. The first is "pegging" stablecoins to the underlying asset (for instance, national fiat currency, goods, other types of digital assets). The second is algorithmic stabilization through the use of special protocols that, when demand / supply changes, ensure the stability of their value.

It should be highlighted that at this stage a widely used stablecoin is not viewed as a global stablecoin, but only one that potentially has a chance of gaining substantial weight in the global financial system. According to the paper, the possible criteria for defining a global stablecoin are as follows:

1. number and classification of users;
2. value and volume of transactions;
3. quality and volume of reserve assets;
4. the total value of outstanding stablecoins;
5. market share in international payments and transfers;
6. the number of jurisdictions that recognize the use of this currency;
7. market share per jurisdiction;
8. relationship with financial institutions and BigTech companies;
9. integration with digital services and platforms;
10. structural and operational complexity, etc.

The document "Regulation, Supervision and Oversight of «Global Stablecoin» Arrangements" explores potential risks. We are unlikely to completely mitigate the volatility of a stablecoin [15]. Therefore, if this asset becomes a store of value, any fluctuation in its value will have a serious impact on the welfare of users. It is also necessary to consider the "trust problem" not only in the asset itself, but also in the financial system as a whole due to technological and infrastructural risks associated with issue and circulation of stablecoins.

The "globality" of stablecoins is ensured by a significant amount of issuance which affects their ability to circulate in several jurisdictions. One can find fault with this interpretation, since the intangible nature of stablecoins and their presence in information networks themselves suggest that this digital tool a priori has every chance to freely go beyond national jurisdictions. In this context globality is important primarily to indicate the risks that, once again, countries will have to cope with through joint efforts.

Thus, the transformation of a stablecoin into a widely used medium of exchange or store of value bears risks for investor and consumer protection, data protection, combating money laundering

and countering the financing of terrorism. In general, this is a very typical "set" of side effects relevant to any financial instrument of the 4.0 era.

Therefore, the document identifies the following difficulties associated with the adoption of a single virtual currency [16].

1. Unified global regulation (the need to find a compromise).
2. Who will issue? Where?
3. Which asset/s to peg to?
4. How will stability be ensured, with the help of what mechanism: algorithm/peg to an asset?
5. How to classify: legal tender/saving asset? What regulatory standards to apply so that all functions can be legally approved?
6. Unified international classification.

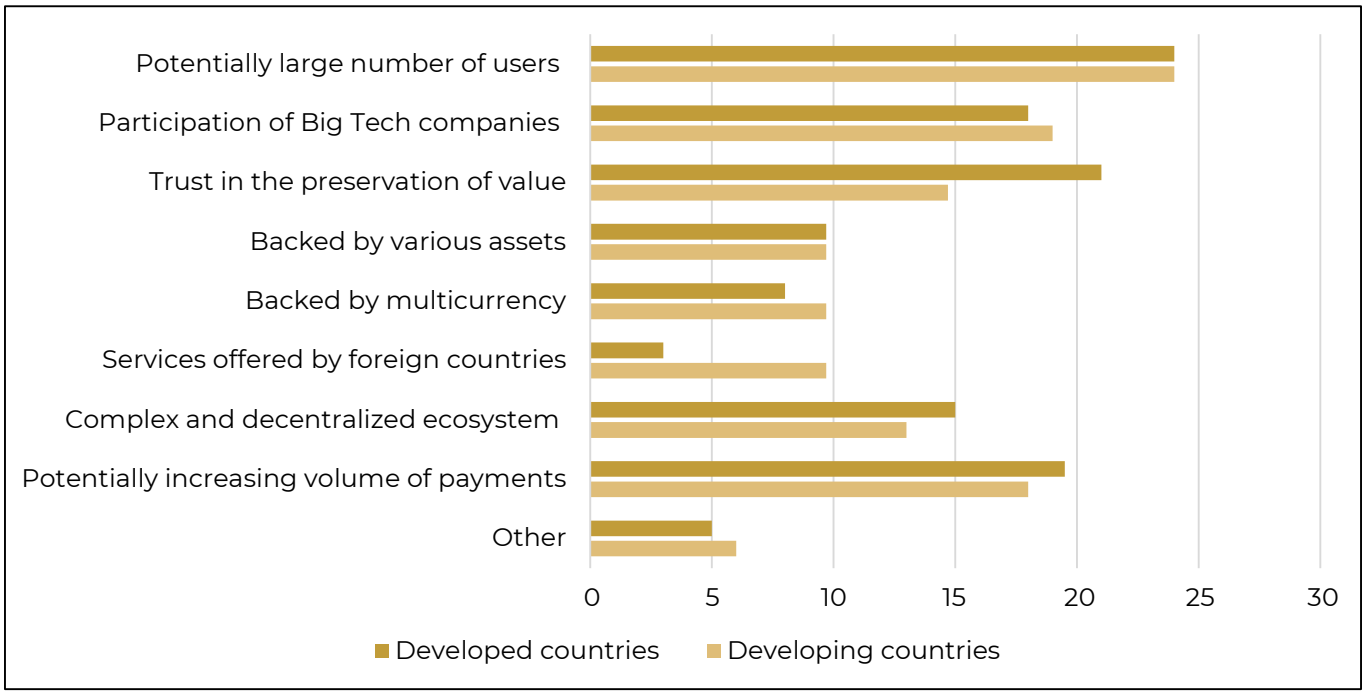

Figure 3. Characteristics of stablecoins based on a survey by the Financial Stability Board.
Source: Regulation, Supervision and Oversight of «Global Stablecoin» Arrangements. Final Report and High-Level Recommendations (2020), Financial Stability Board, available at: https://www.fsb.org/wp-content/uploads/P131020-3.pdf (Accessed 14 April 2023).

7. National regulation and control, etc.

The recommendations on the regulation of "global stablecoins" released on 13 October 2020 show that today 13 legal regimes have been proposed for stablecoins in various jurisdictions - from the status of a cryptocurrency to a financial instrument and a digital asset [17].

According to the document "Regulation, Supervision and Oversight of «Global Stablecoin» Arrangements", global stablecoins are distinguished by three key characteristics: a huge number of users, their issue with the participation of BigTech companies (Google, Apple, Amazon, Facebook) and widespread use in international payments and

transfers (Figure 3).

International cooperation in this area is required to minimize risks and create a more advanced and efficient mechanism for regulating the global digital currency.

The document explores the following risks associated with the adoption of a global stablecoin.

1. Associated with the control arrangements: fraud and conflict of interest of managing structures; lack of fixed agreements between them; uncertainty associated with the difficulties of classifying and identifying the appropriate control structures; inappropriate government form of classification and approach to regulation; the lack of central responsible institution.
2. Associated with the issue and withdrawal of currency: impossible prompt «reimbursement» of the currency at very short notice; an algorithmic system of changing the number of stablecoins - failures in the algorithm, which may affect the value of the currency.
3. Associated with the management of reserve assets: a sharp drop in the price or liquidity of the reserve asset/s; insufficient transparency of reserve assets; fraud or mismanagement of reserve assets; investment in illiquid assets; substantially increased volatility of reserve assets.
4. Associated with care and custody of reserve assets: fraud, cross-country organization, ambiguity regarding rights to reserve assets (especially when the legal systems of several countries collide).
5. Associated with infrastructure: system failures that could affect the value of a stablecoin (cyber attack); ambiguity regarding the option to reverse the transaction.
6. Associated with recognizing transactions validity: several validation nodes and their conjugation.
7. Associated with the storage of access keys to the currency (digital wallets): theft/hacking, loss caused by a cyber incident; actual loss of keys.
8. Associated with the exchange, trading, resale and market valuation of currencies: cyber incidents, fraud, system failures, unauthorized transactions, market manipulation, etc.

It is worth noting that the document does not explore the benefits of a stablecoin compared to conventional fiat currencies. However, it contains general recommendations to the governments on taking the necessary measures: to ensure comprehensive control; to identify responsible institutions; to assign functions that fall under the control of one institution, to legalize this; to identify new stablecoin functions that do not fall under the jurisdiction of existing institutions, to ensure their regulation; to define the areas with overlapped legal norms which leads to contradictions and creates room for fraud; to facilitate the interaction of all regulators. These recommendations are prescribed to

supranational institutions. At the international level it is vital to come to a mutual understanding, develop common norms and rules and classifications, sign appropriate agreements.

Financial Stability Board worked out regulatory recommendations for a global stablecoin [18].

1. Regulators should have all the powers, tools and resources required to regulate global stablecoins.

2. Stablecoins should be subject to the same regulatory requirements as other similar assets with a corresponding degree of risk, regardless of the technology used or the principle of "same business, same risks, same rules". That is, issuers of stablecoins will be compelled to follow the same rules for banks or large payment systems.

3. Regulators in different countries should cooperate closely with each other for AML/CFT purposes.

4. Regulators should develop a structured and comprehensive system for regulating global stablecoins, regardless of the type of classification, issue mechanism or degree of decentralization of such stablecoins.

5. Regulators should ensure that stablecoin issuers effectively manage all possible risks, including cyber threats, and comply with AML/CFT regulations.

6. Regulators should securely collect and store data received from stablecoin issuers, including for AML/CFT purposes, and issuers should provide regulators with "timely and unimpeded access to relevant data and information" on all transactions and users "in compliance with the law on personal data protection". In fact, this clause deprives stablecoins of any privacy.

7. Regulators should develop procedures for settlement of legal conflicts between users and issuers of stablecoins.

8. Regulators should ensure end users have open access to the entire information on issuers, issue and collateral mechanisms, and peculiarities of all stablecoins.

9. Regulators should enforce the financial liability of stablecoin issuers for their obligations.

10. Regulators should ensure that a particular stablecoin meet all requirements before it is allowed in a particular jurisdiction. Apparently, the issuer of a stablecoin will need to obtain licenses and register with the relevant authorities in each country this stablecoin is to circulate.

The reality of a supranational virtual currency is backed by the fact that supranational institutions start to study it, develop control mechanisms and prepare recommendations. The analyzed document contains a developed project roadmap.

1) By December 2021 organizations such as the Committee on Payments and Market Infrastructures, the Financial Action Task Force on Money Laundering and Terrorist Financing, the International

Organization of Securities Commissions, the Basel Committee on Banking Supervision should complete the revision of existing standards and principles and provide further guidance to supplement them should need arise.

By the same date national governments are recommended to adopt or supplement measures and regulatory mechanisms for global stablecoins with a focus on those stablecoins that have the potential to become global.

2) By July 2022 it is expected that national standards will be revised in accordance with the new recommendations of the Financial Stability Board, international standards and guidelines from supranational institutions.

3) From January 2022 to July 2023 the Financial Stability Board together with other institutions will hold discussions about the identified unregulated aspects of global stablecoin use and consider possible application of existing mechanisms. Should need arise previously released recommendations will be updated.

Bringing together different approaches and views, the Board outlined several basic guidelines that national regulators should follow. Indeed, when developing a unified approach in stablecoin regulation, it would be useful to create a regulatory environment adequate to the risks; to consider the standards of reputable international organizations (BCBS, FATF, IOSCO, etc.); and to provide potential owners of this crypto asset with full information on how it functions and how its value stability is ensured. To do so governments should thoroughly look into the digital nature of the stablecoin, neither denying nor overestimating its potential. Probably, only the flexibility and willingness of financial regulators to change will help them debunk the myths and come to terms with the new reality, which has a place not only for a supranational virtual currency, but also for even more progressive financial phenomena.

Therefore, a supranational virtual currency has every chance to become a new reality, notwithstanding many risks associated and complexity of the project. The process of global digitalization is inevitably advancing, although moderately but at a very confident pace. The process has started and it is unlikely to be ceased.

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ECONOMIC COOPERATION BETWEEN RUSSIA AND PAKISTAN: PROSPECTS AND PROBLEMS

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Abstract

Historically, relations between Russia and Pakistan have not always been easy. However, even during the years of greatest tension, Moscow and Islamabad attempted to cooperate in one form or another. Now the two countries are conducting a substantive dialogue in various fields, while trade and economic cooperation is one of the key areas of interaction between Moscow and Islamabad. In the current state of affairs, these relations have good prospects for future development, although they face a number of challenges. Thus, this article explores the bilateral trade and economic relations between Russia and Pakistan, aiming at analysing prospects for cooperation and identifying the existing problems for further development of Russia-Pakistan economic interaction.

Keywords

Economic cooperation, trade, Russia, Pakistan.

INTRODUCTION

Diplomatic relations between Russia and Pakistan were established on May 1, 1948, but historically remained tense for a long period of time due to Russia's close ties with India as well as Pakistani support for the Mujahideen during the Soviet occupation of Afghanistan. Furthermore, after becoming independent from British India, Pakistan started collaborating with the United States in military-political and economic domains, which largely predetermined the cool relations between Russia and Pakistan during the Cold War.

Nevertheless, even during the years of the highest tensions, Moscow and Islamabad attempted to cooperate in one form or another. Thus, back in the mid-1970s, the Soviet Union built a metallurgical plant in Karachi and the largest thermal power plants in Muzaffargarh, Multan-II and Guddu. The USSR also contributed to the creation of the Oil and Gas Development Company Ltd. (OGDCL) and the development of agriculture in Pakistan [2].

The Intergovernmental Agreement on Trade and Economic Cooperation of 1999 became the basis for strengthening commercial ties between the two countries. A year later, the Russian-Pakistani Intergovernmental Commission on Trade, Economic, Scientific and Technical Cooperation was established, aimed at promoting joint projects in the fields of energy, natural resources, and agriculture.

A new impetus to bilateral relations between Russia and Pakistan was given by Pakistan's accession to the Shanghai Cooperation Organization (SCO) as a full member in June 2017.

Moreover, the State Bank of Pakistan and the Central Bank of the Russian Federation signed a memorandum on bilateral banking cooperation in 2018, which was followed by an increase in the volume of bilateral trade and a rise in business activity in the private sector of both countries [3].

Now, trade and economic cooperation are two of the key areas of interaction between Moscow and Islamabad. In the current state of affairs, these relations have good prospects for future development, although they face a number of challenges.

PROSPECTS

Trade and economic relations between Russia and Pakistan are actively gaining momentum. The main Russian products exported to Pakistan include food products and agricultural raw materials (61,29% of Russia's total exports to Pakistan); metals (15,46%); mineral products (8,52%); products of the chemical industry (5,77%); wood and pulp and paper products (5,17%); machinery, equipment, and vehicles (3,57%).

Russia's imports consist of textiles and footwear (54,83% of Russia's total imports from Pakistan); food products and agricultural raw materials (23,89%); products of the chemical industry (4,66%); machines, equipment, and vehicles (1,91%); metals (1,15%); and mineral products (1,03%) [4].

Among the most promising areas for economic cooperation between Moscow and Islamabad is the energy sector. As a major exporter of natural gas and the second largest exporter of oil, Russia intends to expand its markets, while in Pakistan, gas shortages are rapidly growing. One of the major steps so far was the agreement on the construction of the North-South gas pipeline (renamed the «Pakistan Stream Gas Pipeline») in 2015, which should stretch from the port of Karachi in the South to Lahore in the North for 1,1 thousand kilometres [5]. Negotiations on the practical implementation of the project are still going on.

The construction of the pipeline can make a significant contribution to Pakistan's energy security. According to the experts, amidst growing gas consumption in Pakistan, the new pipeline can decrease the price of electricity for the population, ensuring economic growth and reducing social tensions [6].

Furthermore, Moscow and Islamabad have recently agreed on Russian oil supplies. In April 2023, Pakistan placed an order for trial shipment of Russian oil, which it paid for in dollars, and announced its plans to conclude a long-term agreement with Russia on the purchase of oil in Yuan [7].

Thus, energy cooperation could offer the biggest opportunities in the future as this could include not only oil export from Russia to Pakistan but also LNG supply in the medium term and piped gas in the long run.

Trade in weapons and military equipment between Moscow and Islamabad is another crucial and continuously growing aspect of their relations. Russia first delivered Mi-17 military transport helicopters to Pakistan in 1996. A milestone in defence ties between the two countries was the signing of a military cooperation agreement in 2017, which outlines the future directions of cooperation. Subsequently, Pakistan received four Mi-35 attack helicopters and sent IL-78 refueler aircraft and RD-93 engines for overhaul to Russia [8].

While Russia expands its arms exports, Pakistan benefits from diversifying its arms procurement and reducing its dependence on Western suppliers. Moreover, Russia's weapons are often cheaper than their Western counterparts, making them more attractive to countries with limited budgets like Pakistan. Apart from arms sales, Russia and Pakistan also engage in joint military exercises, exchange military delegations, and cooperate in counter-terrorism efforts.

In addition, Russia is interested in resuming cooperation in the

field of metallurgical production with Pakistan after a long break. Russian companies are planning to undertake significant infrastructure projects in Pakistan, such as the modernization of the Pakistan Steel Mills Corporation in Karachi [9]. There are also discussions about providing and supplying Russian metal for the mobile sector in Pakistan.

Furthermore, negotiations are ongoing to establish infrastructure cooperation between Pakistani railway companies and Russian Railways. On November 16, 2022, Russia and Pakistan signed an Intergovernmental Agreement on International Road Transport, which will expand the geography of cargo transportation along the North-South international transport corridor, including access to Pakistan through Iran [10].

PROBLEMS

Despite promising prospects, economic cooperation between Russia and Pakistan faces a number of problems that significantly complicate the work between the states.

Despite the fact that trust between the two countries has vastly expanded as reflected in strong political relations, the unfamiliarity of the commercial elites with each other remains one of the factors that inhibit the expansion of commercial relations. This is particularly glaring in the area of banking. Since not much trade has taken place, the banks on both sides remain cautious. The recent western sanctions have added to this challenge. Moreover, there is always a risk of spreading false information and negative propaganda, which cannot only slow down the decision-making process but also impede cooperation between the parties.

In addition, the economic difficulties experienced by both states complicate the implementation of joint economic projects. Moscow continues to be subjected to harsh Western sanctions, making any further commercial activity difficult. Pakistan, due to its reliance on loans from international financial institutions, has an external debt that, as of December 2022, is 126,3 billion dollars [11]. This raises questions about Pakistan's solvency.

The security issues also impact the development of economic relations between Moscow and Islamabad. Events in Ukraine and the deterioration of Russia's relations with NATO are seriously undermining the security situation. In Pakistan, an acute political crisis is unfolding after the change of government and the arrest of former Prime Minister Imran Khan. Moreover, the country is still recovering from the consequences of the terrible floods of 2022.

Complicated logistics is another challenge. After the collapse of the USSR, direct flights to either Islamabad or Karachi have not yet been restored due to the lack of demand for this direction. However, the new focus on Eurasian connectivity offers a new vision of strong economic relations. Already trucks from Pakistan are coming to Russia through

Afghanistan and Central Asia. More importantly, the North-South corridor provides another great opportunity.

The underdeveloped legal and regulatory framework for economic interaction is another obstacle to sustainable and robust trade and economic cooperation between Russia and Pakistan.

Moreover, the relations of Russia and Pakistan with other countries affect their bilateral interaction. The growing military cooperation between the two countries has raised concerns in India, which is Pakistan's regional rival and has traditionally been a major buyer of Russian weapons. However, Russia maintains that its military cooperation with Pakistan is not aimed at any third country and is based on mutual interests and respect for each other's sovereignty. In addition, in the case of the strengthening of military and economic cooperation between Russia and Pakistan, the United States is able to put economic and diplomatic pressure on Islamabad as well as impose sanctions against Russia. The factor of competition for economic projects in Pakistan also hinders the perspectives for cooperation. For example, China, which has a good lobby in Pakistan, is also interested in implementing the «North-South» gas pipeline project.

CONCLUSION

Overall, Russia and Pakistan are working towards strengthening their economic ties, and there is good potential for further cooperation in various sectors. However, the successful implementation of any major joint projects requires the political will of both countries to cooperate and to overcome existing obstacles in their relations. The current political realities can result in additional pressure on both parties, creating new challenges for bilateral interaction.

To develop strong mutually beneficial cooperative relations between Russia and Pakistan, Moscow should convince Pakistan that it is not building a tactical alliance with Islamabad for its immediate benefit but is willing to create a long-standing partnership. Pakistan, in turn, should demonstrate its independence in decision-making and reliance as a partner for cooperation.

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RUSSO-IRANIAN ENERGY RELATIONS: NAVIGATING THE TENSION BETWEEN COMPETITION AND COOPERATION

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Abstract

Western pressure has necessitated Moscow to restructure its energy exports towards Asia. This development has revealed a weak point in its relations with Tehran: the two are in fact competing for consumers in a geographically restricted market. A superficial glance at the situation might indicate that Moscow is paradoxically strengthening its economic competitor but other factors may suggest otherwise. Russia is investing in Iran's oil and gas sector in an attempt to decrease antagonistic potential in their bilateral relations driven by the competition for shared export markets. Furthermore, concerns that Europe may substitute Russia with Iranian energy exports have driven Moscow to pursue a hedging strategy. Moreover, the Kremlin considers Iran a suitable partner for swap deals. Last but not least, Tehran's decades-long experience in circumventing sanctions proofs beneficial for Russia.

Keywords

Energy, Russia, Iran, investments, resources.

In recent years, bilateral relations of the Russian Federation and the Islamic Republic of Iran have steadily improved as their geopolitical goals have proven to be compatible. Both are trying to resist US hegemonic behavior while striving towards a multipolar world order. Bilateral cooperation in the political, security and economic spheres has rapidly increased, especially since February 2022. In light of unprecedented sanctions and pressure from the West, both Moscow and Tehran are doubling down on their economic cooperation. Trade turnover in 2022 jumped by 20% to 5 billion dollars and keeps growing [1]. Exports of goods from Iran to Russia rose by 30% year on year [2]. According to Iran's Finance Minister, Russia has become the largest foreign investor in the Iranian market, even exceeding China [3]. Furthermore, the Deputy Governor of Iran's Central Bank stated that the two countries connected their bank communication systems to support bilateral trade and financial transactions [4].

Importantly, Russo-Iranian cooperation in the energy sector is growing with a marked increase in infrastructure development investments. Prior to the deterioration of relations between Russia and the West, Moscow was already interested in Iran's energy sector but moved cautiously to not damage its economic ties with the West [5]. Cooperation remained limited and Russian investments in the energy sector were modest at best. Western pressure against Russia, however, has presented a renewed impetus for Moscow to expand its energy ties with Tehran without reservation for it has nothing left to fear from sanctions. In July 2022, Gazprom signed a memorandum with the National Iranian Oil Company (NIOC) worth around 40 billion dollars: the deal encompasses the development of various gas and oil fields, Liquefied Natural Gas (LNG) projects, the construction of gas pipelines as well as the exchange of petrochemical and gas products [6].

The European Union's attempt to «wean» itself off from Russian energy has necessitated Moscow to restructure its energy exports towards Asia. This development has revealed a weak point in its relations with Tehran, the two are in fact competing for consumers in a geographically restricted market. A superficial glance at the situation might indicate that Moscow is paradoxically strengthening its competitor, but other factors may suggest otherwise.

Moscow is investing in Iran's oil and gas sector in an attempt to decrease antagonistic potential in their bilateral relations driven by the competition for shared export markets. In its attempt to weaken Russia, Europe and the US imposed drastic sanctions targeting the backbone of the Russian economy - its gas and oil industry. With Russia cut off from Western markets and now turning East, it is inevitable for Moscow and Tehran to compete for market share of energy exports in Asia. These developments have led to pricing conflict and efforts to undercut each other's market position. Notably, because of the lack of secondary

sanctions imposed against buyers of Russian fossil fuels and Moscow's enticingly high discounts, Tehran has been greatly disadvantaged [7]. Reportedly, Russia is selling its crude with a 30 dollars discount to Brent, while Iran has sold its products with only a 20 dollars discount [8]. As Beijing and other customers increase their imports of discounted Russian oil and gas, Iran is forced to give up on profit and lower prices to stay competitive. Already in May 2022, Hamid Hosseini, chairman of the Iranian Oil, Gas and Petrochemical Products Exporters' Union, complained that due to massive Russian discounts on gas, prices in the region have fallen significantly [9]. He also acknowledged that the flow of Russian oil towards China «is a huge potential threat» [10]. As mutual dependence increases, Moscow seeks to balance the negative developments for Tehran with investments into Iran's energy industry. The gas industry in Iran is underdeveloped, makes losses and is suffering from the tough sanctions against the export of technology [11]. Hence, Moscow's support is of great interest for Tehran as the astonishingly vast investment projects combined with Iran's resource potential could enable the Islamic Republic to revive the flagging gas industry and increase its competitiveness. Iran needs investments which no one else but Russia is willing to provide. Tehran therefore sees Russia's attempts to undercut its energy exports as a necessary short-term loss to gain the capacity to be competitive later on.

Concerns that Europe may substitute Russia with Iranian energy exports has driven Moscow to pursue a hedging strategy. Although, it is unlikely that Iran will replace Russia in meeting Europe's energy demand in the near future due to the West's lackluster willingness to allow Iranian imports in the midst of Washington's maximum pressure coupled with the stalled negotiations on the nuclear issue. However, in the medium to long term a rapprochement between Iran and the West cannot be excluded. In the event of a new nuclear deal, Europe might be eager to import cheap Iranian fossil fuels. Yet, a renegotiated nuclear deal does not preclude Europe's search for alternative fossil fuel taps as Brussels could attempt importing Iranian gas via Oman. Nikita Smagin, expert at the Russian International Affairs Council (RIAC) and analyst at the Carnegie Endowment for International Peace, outlined that Iran could use Oman's spare capacity in LNG to send its resources to Europe. By doing so, Europe could keep up the appearance of boycotting Iran and would technically not violate sanctions. By being invested in the Iranian energy industry, Moscow could ensure it remains a relevant stakeholder, albeit one «behind the scenes».

Despite their concerns of mutual competition, additional shared interests might help to soothe and override potential friction. Russia considers Iran a suitable partner for swap deals enabling Moscow to sell its gas via Iran as an intermediary. Deputy Prime Minister Alexander Novak stated in February 2023 that the technological possibilities

of a potential swap agreement on oil and gas supplies between Iran and Russia are already being addressed and that it would be a «promising project» [12]. According to Novak, an initial stage of such a deal could allow for a swap of up to 10 billion cubic meters of natural gas and 5 million metric tons of oil [13]. Moscow could profit from these arrangements by supplying India as well as supplying Europe through Iran and then Oman.

Moreover, Tehran's decades-long experience in circumventing sanctions has enabled it to attain niche products that Moscow no longer has access to. For example, Russian Energy Minister Nikolai Shulginov announced in December 2022, that Moscow is keen to work with Iranian counterparts on gas turbine technology as well as joint manufacturing [14]. Shortly before this, Iran agreed to provide forty gas turbines to Russia. Although Russia can independently produce small and medium power gas turbines, high-capacity turbines have been provided by Siemens, a German company no longer operating in and with Russia, but Iran has the capabilities to manufacture these turbines and is willing to fill this gap [15].

Moscow and Tehran are seeking to balance the growing American influence in the energy markets, an endeavor they can only realize through strategic cooperation. As an important energy producer and exporter, the influence of the US is growing and the strategic interests of Russia and Iran are aligning [16]. By forming a «gas cartel», Moscow and Tehran would be able to balance American influence in the energy market [17]. Also, considering that Russia has the world's largest and Iran the second-largest natural gas resources, this alignment could put Russia and Iran in a position to wield immense pressure on the world energy market and use it as a trump card in its relations with third countries.

However, obstacles remain that must be overcome in order to achieve a lucrative and meaningful cooperation. The effects of Western sanctions and the lack of technological capabilities might be a difficult gap to bridge. Some analysts argue that Moscow is not able to fulfil its promises and leverage Iran's energy industry to a new level simply because the country itself does not have the required technology to do so. According to Smagin, projects in South Pars and Kish might not be feasible due to the absence of material that neither Russia nor Iran produce. Due to sanctions, imports from producing countries are impossible [18].

Moreover, there is an opinion that a potential swap mechanism directed for Europe is unviable due to the non-existing infrastructure. To export via Oman to supply Europe would require a new pipeline for which deep-water technology is required, which currently neither Iran nor Russia have access to [19]. There are additional doubts in regard to a swap arrangement involving India, who has rapidly increased its energy

imports from Russia since February 2022. A possible pipeline would have to go through Pakistan, India's foe, which might not be in the interest of New Delhi.

Moscow and Tehran have shown significant inventiveness in the face of economic sanctions imposed on them by the West. Their ability to exploit loopholes in spite of sanction regimes, cooperate with other non-western states and advance their technological domestic sector showcase their resilience and adaptability. Even if restrained by technological difficulties for now, it might be only a matter of time before the two will adjust to the new geopolitical environment. Both states have shown that they are not isolated from the rest of the world, and it would be a mistake to underestimate the potential support which Russia and Iran could receive from third countries in circumventing the current technological barriers. For example, China might be a willing provider as it looks for energy sources to satisfy its growing demands.

Russia and Iran look at the energy partnership not solely from an economic perspective but from a geopolitical perspective as well. For them, it is not just about revenue but about balancing the growing US influence in the energy market. It is a mistake to assume that Moscow is acting illogical when investing in its competitor. For Russia, it might be an opportunity to transform competition into cooperation by retaining influence in future Iranian energy deals while simultaneously reducing the potential effects of conflict of interests in bilateral relations.

Considerable potential exists for a win-win situation in the energy partnership between Iran and Russia. The two nations can build a strong energy partnership that contributes to future influence in the global energy market. Both Tehran and Moscow are well-equipped to gain from a symbiotic partnership as they explore opportunities to use the strengths of each other. One development seems to be obvious: relations between the Islamic Republic of Iran and the Russian Federation have reached an unprecedented level and the joint efforts in the field of energy are an essential part of it. If the Russian and Iranian calculations turn out to be correct, they have the potential to stay among the decisive players in the energy market, despite the implementation of vast international sanctions and pressure from the West.

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DESIRE FOR THE BEST

Maxim S. Liksutov

The Moscow Government

Abstract

Over the past few years, the transport system of Moscow has undergone significant changes. The Government of Moscow is actively implementing unique and large-scale projects despite their complexity. The Moscow Transport has become one of the drivers of positive change in the capital of Russia. Its rapid development allows to improve the quality of life of Muscovites. It is based on the creation of affordable, comfortable and safe urban transport, without which no modern metropolis can develop. The Deputy Mayor of Moscow for Transport Maksim Liksutov spoke about the achievements in capital transport infrastructure and a little about his personal life.

Keywords

Moscow transport, megapolis, transport system of the capital, metro, large-scale projects, Moscow Central Dimeters, river transport, the Big Circle Line.

- How does conventional higher education help to solve current problems of the metropolis?

- I graduated from Plekhanov Russian University of Economics with a degree in financial management. I am very grateful to the university and professors for the deep theoretical base.

I always tell my children and students that they should acquire as much knowledge as possible, they shouldn't limit themselves to the curriculum. Moreover, higher education develops other useful skills - self-discipline, the ability to find common ground with different people, work with a large amount of information and, of course, develops language-learning abilities.

At the same time, I possess extensive expertise in business, which helps me to manage complex organizations and enterprises, I know how to improve their performance and competitiveness to benefit people.

All this helps me every day as the Deputy Mayor of Moscow. My team and I, led by the Moscow Mayor Sergey Sobyanin, have managed to substantially improve the operation of the huge transport system of the capital. We are implementing gigantic projects, many of which are second to none even globally - the Big Circle Line, the Moscow Central Circle, the Moscow Central Diameters and many more. Of course, all these projects are being implemented by the Government of Moscow team and our partners — the Moscow Region, Russian Railways and many others.

In the public sector personal responsibility for any decision made or action taken is a million times higher, since every measure impacts the daily life and comfort of millions of people

- Did you personally manage to work and study at the same time?

- Yes, I worked during my studies and later, when I received additional education. And now I am constantly learning, I try to learn something new every day, including in my business-related areas. This helps to keep the brain sharp and stay aware of the best practices.

Today, many people combine work and study, and we welcome it. The Student Group of the Moscow Transport Complex helps students get

internships and workplaces at Moscow Transport enterprises. Last year, for example, more than 500 students joined the Moscow Metro team. We always welcome young and ambitious graduates, so we are really looking forward to active students. The Moscow Transport is a reliable and one of the capital's largest employers. We offer workplaces with stable income and social guarantees from the Government of Moscow.

- You have extensive expertise in business. Why did you make up your mind to join the public sector? What is more interesting?

- For me it was a challenge. The tasks set by the Moscow Mayor Sergey Sobyanin, are very ambitious in scale and complexity, but their implementation substantially improves the quality of life in Moscow, the city where I and my children live. Back in 2010 many believed it was impossible to cope with the backlog of challenges in the capital – such a poor transport system that an ordinary Muscovite dreamed of buying a car as soon as possible and was ready to spend many hours in kilometers long traffic jams just to avoid the overcrowded metro, old commuter trains, trams and buses. Therefore, the share of private cars was growing, aggravating the traffic situation even more.

Thus, the Moscow Mayor set the task of restarting the operation of public transport, to make it predictable, accessible, comfortable and safe, so that Muscovites would begin to trust it. At the end of the day, no metropolis in the world can develop without fast, reliable and convenient transport. We managed to turn it around. Today even those people who own a private car are actively using metro, surface public transport. The city started moving and urban transport ceased to cause negative emotions. The perception of the city has changed. A lot has already been done, we are still working on many tasks.

As for your question regarding more interesting sector. They are difficult to compare, but in the public sector personal responsibility for any decision made or action taken is a million times higher, since every measure impacts the daily life and comfort of millions of people. Personal responsibility is much higher. But I don't regret my decision for a minute, I really like my current activity. All the tasks set by the Moscow Mayor Sergey Sobyanin are very interesting and our projects improve the lives of Muscovites and create a tangible foundation for the future development of the city. The climate in the Government of Moscow encourages achieving results, it is simply impossible to do otherwise.

- What achievements are you proud of?

- All of them are related to Moscow transport and our city. Under the leadership of the Moscow Mayor Sergey Sobyanin we have created an integrated transport system, launched large transport projects and new

Learn new things, be flexible, be able to hear and analyze different views. Know how to take responsibility. Be able to shape a good team - I am proud of all our employees, we are all like-minded.

modes of transport that have changed the capital and improved the experience for millions of people.

107 new metro and MCC stations have been opened since 2011. Moscow is the undisputed world leader in qualitative development of urban transport. We have implemented megaprojects — the Moscow Central Circle and the Moscow Central Diameters both integrated with the Moscow Metro and with each other.

The Big Circle Line of the Moscow Metro has been fully opened, becoming the longest metro circle line in the world.

We have put parking lots in order, arranged a comfortable parking space to the benefit of local residents. As a result, it has become more convenient both for car drivers, who now can park their cars, and pedestrians, who no longer need to squeeze through parked cars, even the streets now look much nicer.

In 2018 the capital first saw electric buses and today Moscow tops the list of European cities by their number. The facilities to manufacture and assemble electric buses are located in Russia and since 2021 - in Moscow on the site of the city enterprise SVARZ, a partner of KAMAZ PJSC.

Back in 2016 we were the first in Russia to sign government contracts with private transportation companies. Old and dangerous minibuses are a thing of the past, today passengers travel in comfortable modern buses that run on schedule with concessionary fares.

We have completely replaced old buses in the capital, have almost completed the replacement of old Moscow's trams and purchased more than 4,000 state-of-the-art cars for the metro.

The carmaker Moskvich has returned its factory to the city. They managed not only to keep a professional team of 2,000 employees with extensive experience in the automotive industry, but also to begin the revival of the legendary domestic brand. Today Moskvich cars can be seen both in carsharing and as taxis.

The Moscow metro has launched biometric fare payment system— projects of this scale are unprecedented for any city.

Today the Moscow ticketing system is one of the best in the world. We are among the leaders by the number of convenient ways to pay fare and the Troika-based ticketing system has repeatedly won international awards.

Moscow has regained its important symbols, the Northern and Southern River Terminals, and today they are one of the most popular sights and points of attraction of the capital. Motor ships from there depart for dozens of cities in Russia. At the beginning of summer, we also have launched year-round electric river transport, a unique project not only for Russia, but also for the whole world.

I worked during my studies and later, when I received additional education. And now I am constantly learning, I try to learn something new every day, including in my business-related areas.

- Tell us more about the implemented large-scale project — the Big Circle Line.

- Today the Big Circle Line, which was built under the personal control of the Moscow Mayor Sergey Sobyanin, is used by more than a million passengers on a working day. This shows how important and vital such a project was for the city.

Thanks to the Big Circle Line residents of Moscow and the Moscow region have many routes to choose from, they can travel directly between districts and save time. Passengers interchange to the Big Circle Line from other lines thereby reducing traffic on the Circle Line and a number of radial lines.

At the same time, the Big Circle Line has enough carrying capacity to operate without a critical load for many decades to come, including due to the new comfortable Moscow-2022 trains running on the line.

The Big Circle Line is an impetus to the development of the city's economy. The locations with a new metro station are sure to attract businesses. We measure it in simple terms. For instance, the number of cash registers near metro stations has risen by almost 70% in 2 months.

This means that small and medium-sized businesses, cafes, small shops, service enterprises immediately began to operate in these locations. These are new jobs and taxes, this is economic growth and, of course, higher entrepreneurial activity in the city.

The Moscow Mayor Sergey Sobyanin is personally engaged in this and other major projects in the transport system of Moscow.

- What skills should a successful leader possess today?

- Total dedication to your job and result orientation, but always soberly assess whether there are sufficient resources to achieve this result. This allows you to set feasible tasks for employees.

Learn new things, be flexible, be able to hear and analyze different views. Know how to take responsibility. Be able to shape a good team - I am proud of all our employees, we are all like-minded, and we have a common goal - to be useful, to help people, to improve the quality of life of all Muscovites with no exception.

We are living in a very interesting time. The most valuable thing now is the ability to work with information. The information flow boils every day and it is incredibly easy to drown in it.

- What is the most complex project in your pipeline right now?

- We are intensively preparing for the launch of next diameter lines MCD-3 and MCD-4. These are long railway lines that need to be integrated into the existing transport system as efficiently as possible. With their launch the city will become closer and more accessible to millions of Muscovites and residents of the Moscow region.

For instance, residents of the Kaluga direction, primarily New Moscow, will gain access to the metro. They will have a choice to interchange to the Moscow Metro, MCC, BCL and will be able to quickly get to the city center. This integration and choice are the most important things that passengers will gain.

On the Moscow Railway in Kaluga direction of the future MCD-4 15 new city and suburban stations have already been renovated and opened. We are creating large transport hubs at existing and future diameter lines: Belorusskaya, Rizhskaya, Petrovsko-Razumovskaya, Serp i Molot, Kutuzovskaya, Testovskaya.

This year we plan to open 14 more new and renovated suburban stations along routes of all 4 diameter lines and complete the construction of feeder lines at the MCD-3 and MCD-4.

We are also updating the fleet of trains on diameter lines. More than 20 modern 2D commuter trains are already running on the Kazan direction railway line. Recently trains of the new Ivolga 3.0 series with passengers have started their operation. So far they run on the second diameter line, but will soon start operation at the MCD-3.

In Tver an even newer model of commuter train Ivolga 4.0 is being assembled now; for the first time, it will become a three-door train, passengers will be able to get on and off faster. The renewal of the fleet at MCD-3 and MCD-4 will continue after the launch, in the future these lines will have only new trains.

And, of course, we must provide the passengers of the MCD-3 and MCD-4 with all the services that Muscovites are accustomed to - ticketing system, a high level of comfort and safety.

MCD-3 and MCD-4 passengers will save about 50% of the fare. Now they have to pay both for commuter train and metro. After the launch the interchange from the MCD-3 and MCD-4 to the Moscow Metro and the Moscow Central Circle will become free of charge. I am positive that new diameter lines will be in demand, and they will take some load not only off urban transport but roads as well.

Learn to understand and choose what is important particularly for you.
But always listen to the opposite view, without doing so you will not learn to understand other people.

- What would you advise students?

- First of all, I would like to advise them to learn to hear and listen to

yourself, to believe themselves and their intuition as much as possible, to read more, it is imperative to learn languages, they give you broader access to information. As far as I know, the President of Russia Vladimir Putin speaks several languages.

We are living in a very interesting time. The most valuable thing now is the ability to work with information. The information flow boils every day and it is incredibly easy to drown in it.

Thus, learn to understand and choose what is important particularly for you. But always listen to the opposite view, without doing so you will not learn to understand other people. Try to respect all views and then you can shape your own view.

After school I went into business, then I went to Moscow, got an education. Then I moved from business to civil service, and for more than 10 years I have been in charge of all transport in Moscow. They asked me why? And I answered that it was my decision, it was of interest to me. And I don't regret it for a second.

If I did not trust myself, did not listen to my inner voice, I would probably be an unhappy man who fell a victim to circumstances and the expectations of others.

So, learn to be confident, always believe in yourself and then you will be truly happy!

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