

Using geopolitics to preserve the value of the ruble

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ABSTRACT

The purpose of this article is to investigate the use of geopolitics as a strategic asset for hedging against the ruble. It proposes that Russians should acquire and maintain real estate investment assets, such as guaranteed rental and income sources, to maintain the ruble's value and stability in the face of geopolitical pressures. The baht, which has strengthened as a result of the Bank of Thailand's inflation-targeting policy, is one of the most dependable currencies in the world.

KEYWORDS: Geopolitical risks, Ruble, Baht, Real estate, Phuket

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Introduction. The Russia – Ukraine war, which has resulted in restrictions on Russia's economic development, including asset freezes, export restrictions, and foreign investment withdrawals, as well as margin calls and asset restrictions, has created uncertainty in the Russian market. However, some Western investors continue to invest in Russia, seeing it as a channel to generate income and expand their business opportunities, leading to continued capital inflows into the Russian market (Russian market,2022). The Russian economy has been isolated from the global market by the West, which has exerted diplomatic pressure and restricted the export of hydrocarbons and natural resources. This has included the blocking of international transactions via SWIFT, which could lead to increased prices and operating costs. To reduce pressure from the United States and its allies, Russia has set up its own mechanism to facilitate payments and counter the blockade of international financial transactions. As a result, the Russian economy is ready to shift its vector from the Western market to the Eastern market, which has increased the cost of products for businesses by 1 %. This raises important questions about the reliability of foreign exchange reserves as a safe haven for the Russian Central Bank, which has been using it for many years. How will this geopolitical complexity lead to beneficial opportunities for investors in the coming years? This emphasizes important flaws we should expect that will cause more market volatility. The above-mentioned hazards could have a major influence on financial markets, changing the value of investments and portfolio stability. Principal worldwide challenges are conflicts, political unrest, trade disputes, and legislative changes. Particularly in nations hostile to Russia, such events are empowered to fundamentally alter financial markets, disturb supply chains, and raise world prices. While sophisticated financial instruments like bonds and mutual funds call for market knowledge, people are thinking about saving their capital by purchasing precious metals and investment coins with rubles (Chigir,2022). Although real estate investment is appealing, for those who do not invest in crude goods or hydrocarbons in particular, it also requires market analysis and forecasting knowledge. Investing in the Russian economy carries a lot of hazards, including doubts about capital development and income generation. Therefore, Russian investors should look for chances that directly help other Russian investors who can avoid geopolitical hazards. Maintaining the value of the ruble is unquestionably of significant relevance to investors and the growth of capital accumulation for people owning different kinds of assets in the face of progressively strong geopolitical pressures.

The objective of this article is to investigate the utilization of geopolitics as a strategic asset to safeguard against the devaluation of the ruble and to determine the types of investment assets that Russians should acquire and maintain to preserve the ruble's value.

Methodology. Using a private database, representatives of ten Russian-speaking real estate agencies, two translation agencies of transaction documentation, and two real estate law firms, the study population comprised one hundred Russian residents of Phuket who had bought or were considering buying real estate there. Collection of data on investment establishments, types of investment contracts, and scope of real estate investments; data on figures for returns on investments on various conditions from Russian clients, real estate agents, and companies; translation offices, transaction and law firms on real estate, comparison of advantages in terms of time and return on investment, analysis of financial returns on investments from projects of the types of strategies used as the basis for determining investment strategies in the form of contracts, agreements for the provision of services, database of figures for comparison.

Literature review. Many things can affect geopolitical risks, such as the political situation, conflicts of interest between countries, control of geopolitical raw materials like oil, gas, and natural resources that are important to the production sector, the size of the reserve resources, and changes in the national economic development vector. These factors have the potential to disrupt the equilibrium of interests within a monopoly, resulting in conflicts between the original controlling power and new, competing entities. Therefore, people may start fighting over scarce resources to advance their own goals and interests. This could lead to war, terrorism, and other types of conflicts. When geopolitical risks happen, they will have a direct effect on the price of energy. This means that geopolitical risks are a big part of figuring out the political climate in the region and the geopolitical environment. It is clear that when economies of different countries are linked, there are risks in international trade, which affects how prices change between countries. This is due to the growth of geopolitical risks in many already troubled areas of the global economy. The rising prices of oil, real estate, and stocks have caused these crises (Urazgalie, 2010).

The ongoing Russia-Ukraine war presents considerable challenges, such as heightened NATO engagement and escalated Western sanctions targeting Russia's technology and energy industries. This conflict stands as the most significant and perilous in Europe since World War II, lacking any diplomatic resolution. The enduring result is a conflict involving political, economic, and military dimensions between the West and Russia (Rtvisamoyevaznoye, 2023). The potential impact on assets, the depreciation of the ruble, and the escalation of energy costs are all significant factors. There have been significant and enduring transformations in the worldwide investment environment. We anticipate that the recent geopolitical shift away from deflation over the last two to three decades will heighten risks and complicate investment opportunities. In the past, investors relied on mathematicians for guidance, but currently, they are looking to geopolitical scholars for insights on safeguarding their assets (Megaw et.al., 2024). The prices of geopolitical goods have been significantly elevated as a result of ongoing geopolitical conflicts, which has resulted in inflation in numerous countries. The Russian economy's primary source of income is the export

of natural resources and gas, in contrast to the banking industry and technology companies. Oil is used as a raw material in industries that are crucial for the production of essential goods, on which numerous countries are heavily reliant (Popova, 2020).

Raw materials are an exceptional asset during periods of severe global inflation, as evidenced by historical experience. If geopolitical tensions increase, demand for commodities will surge, and the Russian economy will stand out as one of the largest producers. Geopolitical risks can create exciting situations or opportunities where international competition, often linked to economic interests, leads to confrontations. Conflicts arise when the desire for market dominance intensifies, especially during peak resource extraction and trade interactions (Beglyy krestyanin, 2023). Foreign trade in a geopolitical risk environment presents Russia with an exciting challenge of choosing friendly countries. The impact of sanctions and asset seizures creates a clear line for capital flows, effectively isolating Russia from the global financial system. This dynamic has radically changed the way currency transactions are conducted for many banks outside Russia. Therefore, one of the key goals is to find ways to simplify international financial transactions and establish systems to guarantee them. Even more important is the ability to conduct business that preserves the value of the ruble for individuals who do not invest in raw materials, natural resources, or geopolitical assets.

Results

1) The value of the baht supports the value of the ruble.

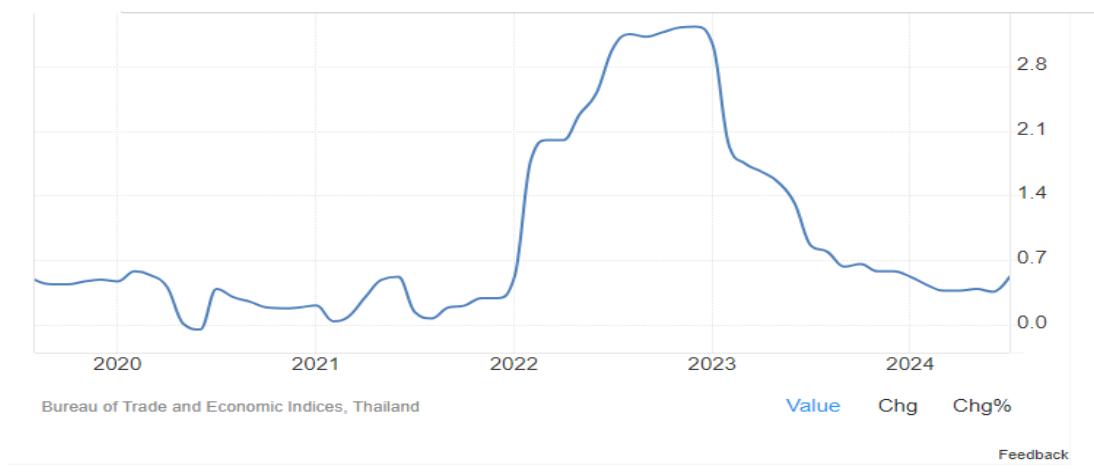


Figure 1. Thailand inflation rate (2019–2024)

Noted. From “Thailand Core Inflation Rate,” by Bureau of Trade and Economic Indices, Thailand, (2025) (<https://tradingeconomics.com/thailand/core-inflation-rate>) In the public domain.

The Bank of Thailand has effectively maintained low inflation by adhering to the inflation target framework, believing that the inflation level will help build economic confidence among investors and solve the overall debt burden of the country's economy. The interest rate established by the Bank of Thailand plays a crucial role in either boosting or slowing down spending and economic growth in the country. Apparently, the Bank of Thailand is unconcerned about the link between the inflation framework and foreign exchange rates. What is taken into account? Because the inflation target framework is determined by demand rather than supply, the baht has a special status compared to other currencies in the region, clearly because the baht is stronger than other currencies. The policy does not intervene in the exchange rate freely, and the Bank of Thailand's policy is not linked to the size of supply, especially the manufacturing sector (the producer price index (PPI)), because it is an independent agency from government intervention, no matter how much it causes the manufacturing sector to close down. The issue lies in the lack of clarity surrounding the concept under which the Bank of Thailand operates. Everything is still on the path to "defeating inflation." Regardless of the loss" or "looking for a balance and compromise between fighting inflation and the survival of economic activities, it makes the central bank lose its function of stimulating the production of the domestic manufacturing sector. It offers indirect support when the domestic baht shines as a preferred option for storing domestic savings, thanks to the low inflation rates illustrated in figure 1.

The Thai baht consistently demonstrates its anti-dollar nature when compared to the US dollar. This is because the baht adheres to a policy of inflation that is not related to the producer price index or the foreign exchange rate. As a result, the baht stands out for investors who wish to keep their currency. Looking at the figure2 , it is evident that the value of the baht in 2022 ranged between 32 and 35 baht in relation to the United States dollar. Given its fixed amount in baht and the fact that the Thai currency is one of the most stable in the world. Although the coronavirus outbreak has peaked and tourism has been curtailed, the baht has appreciated against the dollar. Ten years ago, one thousand baht could buy thirty dollars. Today, the same amount of money can buy thirty dollars, and it has remained almost the same. Between the years 2019 and 2021, there was a period of time during which the value of the baht increased in comparison to the dollar. A comparable calculation would indicate that in 2013, one thousand Russian rubles could be exchanged for thirty dollars; however, at the present time, it can only be exchanged for ten dollars.

USD to THB Chart +14.37% (5Y)

1 USD = 34.4905 THB Jan 4, 2025, 02:37 UTC

US Dollar to Thai Baht



Figure 2. Thai baht/dollar exchange rate

Noted. From “US Dollar to Thai Baht Exchange Rate Chart .Xe Historical Currency Exchange Rates Chart,” by tradingeconomics, 2025 (<https://www.xe.com/currencycharts/?from=USD&to=THB&view=5Y>) In the public domain.

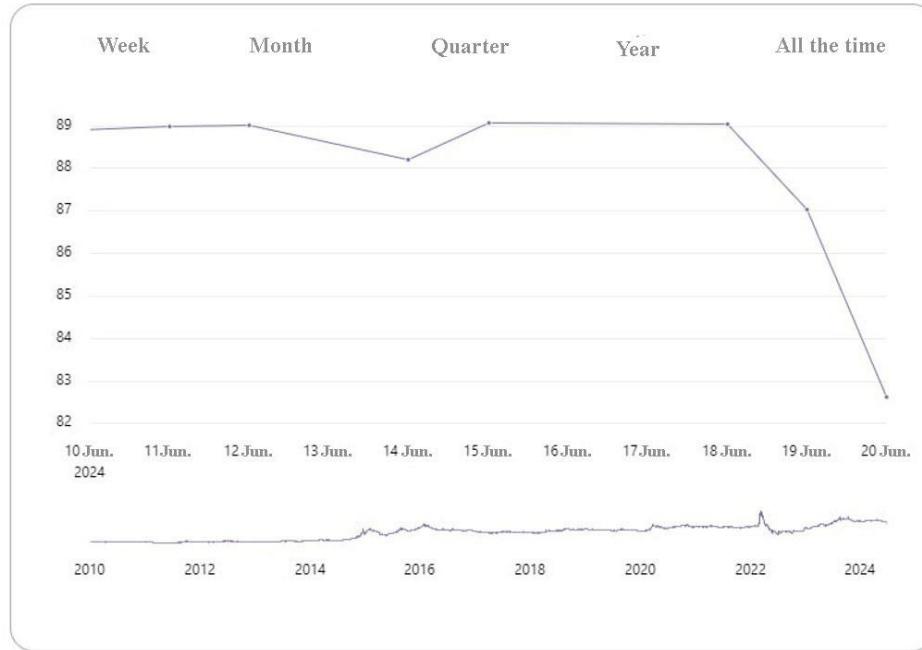


Figure 3. Dollar exchange rate (in rubles)

Noted. From “The rising ruble is a sign of global changes in the world economy,” by Yedkiynatr2Z, 2024 (https://dzen.ru/a/ZnPoYdYkmBrWyn_n) In the public domain.

Furthermore, Thailand is a welcoming nation with no restrictions on opening a bank account or purchasing real estate. Furthermore, the authorities of both nations have extended the 30-day visa-free entry period for Russian nationals to 90 days. Because of Thailand's foreign policy, which has long positioned the country as a popular travel destination, Russian investors view Thailand as the least risky location, even in the face of Western pressure or intervention meant to seize Russian assets. Considering the US dollar and the baht, the likelihood of Western pressure or intervention to seize Russian assets is minimal. Furthermore, cross-border economic development and interactions between Russian economies—considering their geographical locations and the impact of global conditions on the Russian economy—act as a territorial and organizational tool for the formulation of a national geo-economic strategy, which will establish the nation's place on the global economic scene (Isaev ,2005).

2). Investment options and returns for Russians.

Table 1. Illustrates the percentage growth/decline of returns for the most appealing asset classes in 2023.

Return on Investment	2022	2023
Real estate	□ 84	□ 98
Deposit in rubles	□ 94	□ 89
Deposit in Euros	□ 93	□ 43
Deposit in dollars	□ 43	□ 43
gold	□ 74	□ 78
Mutual funds	□ 87	□ 84
Maintain cash in euros.	□ 89	□ 98
Maintain cash in dollars	□ 72	□ 92

Noted. From Sidorenko, K. (2023)'s database details the growth of Russian real estate in Phuket province, unpagead

Keeping money unneeded might cause depreciation, lowering the buying power for goods and services. Conventional choices such as bank deposits might lose value in inflation and are not efficient in wealth building. While a dependable choice for storing savings, withdrawing money before maturity may cause interest loss. In Russia, buying money, say dollars or euros, is a dependable choice. While the ruble

often loses value, currency always increases in value. Maintaining reserves in rubles is crucial since the nation runs on the currency. When handling money, note the notable difference between buying and selling rates during the past two years. Turn just the money you don't need going forward into cash. Travellers, frequent visitors, or those making payments in foreign currencies should regularly purchase money. When distributing extra money into non-cash assets, take foreign accounts—which are now rather popular and accepted in Russia—into consideration. Though it has slightly changed, the procedure is now rather simple.

From the data, it can be seen that Russians are showing the same trend that only real estate and gold purchases will increase the return on investment. These rates, especially in Thailand, remain low just as interest rates remain low. Many find investing in Russian real estate unprofitable, with market rates of 18%. With an investment of \$60,000 in Thailand, investors can purchase valuable property in a popular tourist destination and receive returns within 5–7 years. Repayment plans are available for the construction period, as well as long-term repayment programs with low interest rates, such as Phuket's 2.4% offer. The Thai baht is another stable and reasonably priced alternative to the dollar, making the Russian mortgage market more attractive for reinvesting money abroad, resulting in higher demand. Investors can contact companies to find the best project for their goals and budget, while investment in other assets will have a lower and uncertain return. Investing in real estate in Thailand, especially in Phuket, ensures that the ruble is not swallowed up by inflation and can be obtained through rent and subsequent sale of the apartment at a higher price than the original investment. This is because investing in Phuket real estate offers beneficial tax benefits through deductions for repair and maintenance costs, which can significantly increase the return on one's investment. The mortgage interest deduction can help reduce the cost of borrowing. Russians are increasingly interested in real estate in Thailand. The main reasons for the increase in demand are the low entry threshold (from \$150,000 and the absence of legal restrictions on ownership of Russian buyers. According to (Paradise housing, 2024, Russians will increase their purchases of real estate in Thailand by 6.2 times in 2023. This is due to two reasons: first, the status of Phuket as a major tourist destination makes it possible to buy resorts for private vacations, which can be profitably rented out; and secondly, Thailand's foreign policy takes a neutral position in relation to the current geopolitical conflict. According to Tranio, the demand for housing in Thailand will rise in 2023, demand increased by 5.7% year-over-year. The average Russian's budget for purchasing Thai real estate was €155,000 in the first quarter of 2023, apartments in new buildings and rooms in aparthotels were in the greatest demand. Thailand is currently popular as a second place of residence because of its friendliness to Russia and ease of transactions. Many of our clients discovered this country after the complicated relations between Russia and Europe. For this reason, they see several advantages here (Kostereva, 2023).

Foreign real estate is always in demand from people from other countries because it has a long tourist season. It is a popular investment tool for both experienced and new investors. The main things that make Thailand popular are low cost, excellent investment opportunities, a healthy climate, which allows you to spend more than 8 months on the island for a holiday, beautiful scenery, a large cultural heritage, and a convenient transportation system provided by airlines. The Thai government is actively working to attract investments to develop and modernize the island's infrastructure—international schools, airports, luxury shops, modern hospitals, and tourist attractions. Tourists come to Phuket in large numbers. This is beneficial for the housing market. Because Phuket doesn't have a lot of land, its value per square meter goes up very quickly. And this is a big plus if we are considering investing in real estate. Investments in several currencies and many tourists help to quickly improve the island's infrastructure, and Russian tourists love the blue lagoons, sea breezes, white sandy beaches, and food from this area.

Table2. Comparison of profit insurance and rental pool.

Variables	Guaranteed income	Rental pool
characteristic	<p>Lease guarantees can be offered at interest rates ranging from 6 to 10% over 5–10 years and, in some very special cases, up to 15 years, depending on current promotions.</p> <p>Lease guarantees can be offered at interest rates ranging from 6 to 10% over 5–10 years and, in some very special cases, up to 15 years, depending on current promotions.</p>	<p>There is no guaranteed income or amount received each year. The rental group option involves the owner entering into a lease with a rental management company and paying a management fee. Typically, the owner pays this fee quarterly and receives a portion of the rental income during the leased period.</p> <p>Typically, the owner receives most of the profits, either divided 60/40 or 70/30.</p>
Work Results	Of course, the profit margin is 5–7% annually.	Over 10 percent is contingent upon the brand of the service provider.
Additional rights	No	Entitled to a portion of all rental income generated by all other properties in that

		group, even if his/her property is not rented on certain days/weeks, is considered the fairest method of calculation. After subtracting all fees and expenses, the proprietor obtains the net income.
Attracting long-term tenants.	The location is convenient to hospitals, schools, shopping malls, and other essential amenities. It has basic amenities that make life simpler and more accessible.	During the tourist season, basic facilities contribute to a comfortable and accessible way of life, as does the brand of the service provider.
	Evaluated according to the organization's managerial proficiency and remuneration ratings	It boasts a long and well-established history of positive returns. All projected estimates indicate conservative occupancy and average rates for customer consideration.
	This investment program offers a stable income in foreign currency with guaranteed conditions, regardless of the apartment's rental status. It allows investors to use the apartment for 15 to 30 days a year, saving on vacation expenses.	Income in a building depends on its occupants and management quality. Selecting an experienced project manager is essential. Effective management can yield 12-15% of property value, while inadequate management can decrease income. Seek counsel from a broker for assistance.

Noted. The author's summary is based on the data from *Sidorenko, K. (2023)'s database details the growth of Russian real estate in Phuket province, unpage*

A guaranteed income program may transform into a pooled income program, wherein the investor receives both guaranteed income and rental income concurrently. Pooled programs may offer 5% without restrictions, 6% for a duration of 6 years, or 6% for 6 years accompanied by a 60/40% lease arrangement. This enables investors to detach from a specific income figure for a limited duration, enhancing its appeal among service companies. The pooled rental program computes annual cash flow from a collection of apartments, allocates profits equally among owners, and each owner receives 10 –

15% of the property's value annually. Experienced hoteliers frequently integrate these revenue programs, ensuring the owner a guaranteed income of 7-10% annually during the initial three to five years.

Conclusion. The Bank of Thailand's inflation-targeting policy promotes low inflation, making the baht significantly stronger than other currencies. Such a policy is unrelated to the size of supply, particularly in the manufacturing sector (Producer Price Index (PPI)), allowing the central bank to abandon its duty to stimulate domestic production. As a result, the baht is one of the most stable currencies in the world, while the ruble has been depreciating due to the problem of domestic credit policies with high interest rates and the country's economy earning income from selling natural resources and importing consumer goods. When faced with sanctions, the currency will naturally depreciate, which is contrary to the Central Bank of Russia's inflation target. The only way to keep the ruble is to be the most stable currency in a country that is willing to protect Russian assets. Thailand, particularly Phuket Island, as one of the world's most popular tourist destinations, has become a target for Russian investors looking to move capital. Real estate investments, including guaranteed income and rental pools, can help keep the ruble's value stable. Guaranteed income programs can be combined to provide both guaranteed and rental income. Combined income programs have different rates, allowing investors to separate specific income for a set period. Experienced hotel owners frequently combine these programs to ensure that they receive a guaranteed income.

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