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Foreign Economic Activity Formation Features in the Regions of Modern Russia

Tatiana I. Chueva¹, Marina V. Melnichuk², Gulnara F. Ruchkina², Olga V. Ilina³,
Svetlana F. Litvinova^{4,5*}

¹ *Kuban State Agrarian University named after I.T. Trubilin, Krasnodar, Russian Federation*

² *Financial University under the Government of the Russian Federation, Moscow, Russian Federation*

³ *Peter the Great St. Petersburg Polytechnic University, St. Petersburg, Russian Federation*

⁴ *Vladivostok State University of Economics and Service, Vladivostok, Russian Federation*

⁵ *Law Clinic Co. Ltd., Vladivostok, Russian Federation*

* *E-mail: svetlana.litvinova@vrsu.ru*

Abstract: The external economic activity of the Russian Federation today is at the stage of formation, the process of drawing up the appropriate regulatory component is taking place. The formation of foreign economic policy of the country is influenced by objective processes taking place in the world economy. First and foremost, this is the intensifying internationalization of production and finance, which activates the economic interdependence of countries, and also leads to increased competition in the world market. The relevance of the research topic is dictated by the question of close interaction of state authorities and local self-government bodies in staging the main goal of the 21st century: to increase the economic and social efficiency of all production processes. The main area of activity of the regions is the application of foreign economic activity processes, using the advantages of a given region, namely its natural, climatic, social and other aspects. It is not always possible to equally realize goals in the regions at the national level, because they are unique and distinctive. Consequently, the powers in the regions will expand. A specific feature of the regions of the Russian Federation is that all entities in their own way form the legal framework for forming their investment climate, attracting investments, developing the region's export flow, and forming the logistics of imported goods.

Keywords: foreign economic activity, regional economy investment attractiveness, economic integration, export, import

JEL Classification: R11, R19, R10

INTRODUCTION

In the period of rapid integration of Russia into the global international space, the country's involvement in global economic includes: Russia's accession to the World Trade Organization and the formation of the Common Economic Space of the Russian Federation, Belorussia and Kazakhstan; in these circumstances the international and foreign economic activity of the subjects of the Russian Federation becomes more important.

Some individual subjects of Russia enjoy the advantage of independent participation of in foreign economic activity, which is one of the most important aspects that have an effect on the integration of the Russian economy into world economic relations.

Along with this, the economic space of Russia means the commonality of regions of the country that differ by both the level of economic development and natural and climatic factors, and, in addition, by industrial specialization. It is known that individual subjects interact on the issue of trade, as well as in a number of other areas; this has led to a number of products produced specifically for the partner regions.

Also, an important factor is the division of export-import links as per other countries, as well as in the internal regions of Russia.

In these conditions we need to separately consider the external economic activity of the regions of Russia, for a detailed assessment of their external economic potential.

Insufficient attention has been paid to the problem, despite the fact that the economic activity of a particular region often depends on a significant share of the volume of imports or exports in the state as a whole; this shows the importance of researching the contributions of individual regions to the external economic activity of the state.

In any region of the country, specific features of the resource potential, the mechanisms of social development and infrastructure, strongly influence the formation of foreign economic relations. But the problem of the level of sovereignty of regions in the formation of foreign economic activity is controversial, since forming foreign economic activity of the subjects becomes one of the most important tasks of preserving the unity of the economic space of the state. Formation of conditions for entering foreign markets is currently subordinated to the federal authorities, and the description of the conditions for the development of foreign economic relations, while the sale of products of regional companies in the territory of foreign partner regions, attracting foreign investment are the goals of the regional authorities. That is why federal subjects play an important role, their goal is to define and direct foreign economic activity of certain regions of the country when forming a single economic and legal space of the state.

LITERATURE REVIEW

The external economic potential of the region is defined as a unified characteristic of the regional economic complex which determines the involvement of the region in the system of the international division of labor. In general, the external economic potential is characterized by the competitiveness of goods and services produced in the region on the world market and the ability to apply technological, labor, intellectual and other resources of the region in the structure of global cooperative ties. The level of promotion of the external economic potential of the territory, first of all, is determined by the state of its export complex.

The theoretical and methodological basis is the fundamental and applied research of Russian and foreign authors in the field of the theory of regional economy, as well as theory of regulation of foreign economic activity, legislative foundations in the field of foreign economic activity of Russia and its subjects. All aspects of the formation of a regional development strategy are reflected in the work of Russian and foreign scientists. But today the external economic issue of this problem has not been studied enough.

The works of V.G. Vvedensky, A.G. Granberg, Yu. Dul'shchikov, V.Leksin, N.D. Matrusov, N.N. Nekrasov, B. Shtulberg, E. Hill, P. Dutton, H. Armstrong, and D. Taylor are devoted to the Economy Management, as well as foreign economic activity.

The studies of E. Aksenov, A.N. Alisov, S.D. Valentey, V. Gaidukov, W. Izard, A.S. Pelikh and others are devoted to regional management issues.

Analysis of foreign economic activity of the regions, and specifics of the formation of the organizational and economic aspects of regulation of foreign economic activity are described in monographs and articles by A.Sh. Adukhov, A.B. Bobrovnikov, E.G. Zhuravskaya, I.V. Cherkasov.

In the writings of A.Yu. Arkhipov the export potential of the region is described as “the overall ability to form and produce competitive products for export, export it to foreign markets, profitably sell goods in the territories and form the required level of service” (Arkhipov, 2015).

L.B. Vardomsky considers the export potential of the region as “real opportunities that give rise to the formation and completely satisfy the needs of Russian and foreign buyers for goods and services in current and predictable market conditions in the process of reasonable use of available resources” (Vardomsky & Skatershchikova, 2012).

But despite the wide study of the problems and numerous works, the reasons that restrain the development of productive foreign economic activity and the inflow of foreign investments into the economy of the regions are still insufficiently studied. Less studied are the issues of improving the management system for the formation of foreign economic activities of Russian regions. Priority directions of state regulation and ensuring sustainable development of foreign economic relations of the subjects of Russia have not been formulated.

MATERIALS AND METHODS

The definition of the role of the subjects of Russia in the implementation of foreign economic activities in the interests of the whole country creates new requirements for its production and regulation. The level and directions of development of foreign economic relations of the territories of the state should be regulated by legislation and contribute to the structural security of their production potential, attracting foreign investment, and improving Russian entrepreneurship. To implement this issue, it is necessary to resort to a critical study of Russian and foreign practices in the field of foreign economic activity and the use of its positive experience in the development of foreign economic relations of Russia, its republics, regions and autonomous regions.

The subject of the study is the system of organizational and economic relations that are formed during the formation of a regional strategy for foreign economic activity. The object of the study is the subjects of foreign economic activity of the region (Hermanova & Bezpalov, 2016).

The methodological basis of the work is a unity of general theoretical economic views and views. General-theoretical methods are determined by special-scientific methods, which contribute to a reliable confirmation of theoretical analysis (Doronina *et al.*, 2016). For example, the principles of objectivity, historicism, a comprehensive study of the topic in its development, its analysis in the “as is” form of, the system, the comparative analysis of the case study, and others. The theoretical basis of the work are the works of foreign and Russian authors on the regulation and development of foreign economic activity, as well as the laws of Russia on foreign economic activity, decrees of the Russian President, resolutions of the Government of the Russian Federation, decrees of the State Council and the Government, regulatory legal materials of ministries and departments. The information base of the research was statistical data of the Krasnodar Territory, statistical information described in periodical economic publications.

The scientific novelty of the work consists in the development of a general concept for regulating the mechanism of foreign economic activity of the Krasnodar Territory, recommendations on the specifics of the organization of this activity in a competitive, border region, detailed disclosure, justification of the region’s export-import potential, and mechanisms for its implementation.

Theoretical and practical significance of the work: a system of factors characterizing the conceptual potential of the development of the region in the context of the country is defined. The materials of the research can be applied in practical activities on the formation of the state foreign economic policy, in addition, they were used in the forecasting of the external economic activity of the region and the investment cooperation strategy of the Krasnodar Region with foreign partners, as well as with certain federal and regional divisions, partnership in the territory of individual federal subjects.

DISCUSSION

The ability of the regions of Russia to carry out foreign economic activities. Until now, there has been no clear legal regulation of the rights of the federal subjects concerning the issue of implementing foreign economic relations in Russia. This problem is particularly acute, since the fundamental legal factors of the relationship between the capital and the regions have not been resolved.

As to market regulation of the Russian economy, the issues of foreign economic relations were sometimes of particular relevance, and sometimes lost their significance, and sometimes they were completely forgotten and not considered in economic policy.

Obviously, the issues of foreign economic activity of the regions, as well as the state as a whole, as well as the severity of their importance, became conditioned by the aspects of the importance of certain issues of the formation of the country’s economy (Gurieva *et al.*, 2017).

It is advisable that foreign economic ties in the regional vector have never been central. Foreign economic relations become both an activator and a stimulator for the modernization of the country’s economy. Equal the regions should be, both in the political and administrative issue and in the issue of rights in the sphere of foreign economic activity. Obviously, averaging all regions legally will not become equal in the role of regions for the economy of the country, as they have different meanings, different investment attractiveness, etc. This inequality concerns both the country’s borders and the world economy as a whole.

The existing potential of the region in the matter of foreign economic activity is characterized by the following factors:

- the attractiveness of the subject for this or that sphere of the world market. Thus, the existence of scarce resources, innovation, convenience of geographical location, geopolitical role - a convenient location for international communications;
- investment attractiveness;
- a certain image that leads to the formation of interest in this region from the international market or established national markets;
- geographical position;
- the demographic structure of the subject, it contains the national composition of the population, religion, education, etc.

The main aspect in shaping the role of the chosen region in the system of foreign economic relations is provided, both by the internal interests of the region, by national and state interests, and by external national-state interests and the position that the regions represent occupy goals (Degtyareva, 2014).

The main issue of today's problems in the regional economy is not about what indicators to take into account; it is about the complex of constituent aspects for the formation of the chosen strategy, taking into account the tools to form a promotion strategy with. A federation entity is a constituent unit of the country and, therefore, any single region does not occupy a sufficiently independent place in the system, but is its inalienable link. For a competent assessment of the region's foreign economic strategy, you need to do analytical work. Its essence consists: a) in an estimation of economic appeal of region in a question of interest in the given potential from the point of view of the world market; B) it is necessary to study and generalize the information on the formed economic ties of economic entities in the region.

Factors affecting the integration of the region into international economic subsystems. There are many factors that affect the involvement of a constituent entity in international economic systems. These factors include the following aspects, listed below.

The main factor is the historical specifics in the region, the determining role in the current economy and politics. In a number of regions, the historical prerequisites of management have a significant influence on the formation of politics and the established place of the region in the international system. For example, mythological Prussia has a significant impact on the current integration of the Kaliningrad region into Europe. This formation is determined from the existing rejection of pre-revolutionary experience to the specific economic relations of the region with Germany and the adopted specificity of the development of tourism and production (Ivanov & Ivanova, 2012).

One of the factors determining economic integration is resources, among them: natural, labor, material, investment resources. In the process of forming the foreign economic goal of the subject of the federation, it is necessary to take into account the specific interests of the partner countries, the lack of resources in the region, which can be purchased in the conditions when the region is part of the international subsystem, the types of projects for the international application of resources already existing or only in the plans. For example, regions that are rich in oil and gas fields, and are becoming more involved in the international space, but remote in territory than those that are close in location but not so rich in oil and gas. In addition, involvement in the energy ownership of major economic powers of the existing international system leads to an increase in the entire region that owns the resources described above.

One of the most important groups of factors that influence the choice of goals for foreign economic activity is the transport corridors. There are several tasks of international transport corridors. 1. The formation of high-quality, stable and affordable transport services for all subjects of economic relations. 2. Provision of special “bridges”, potentials for the realization of full commodity turnover between countries. 3. Assistance in organizing the military security of states and their regions. There are several international transport corridors that pass through Russia. The main international transport corridors include: the Northern Sea Route, the international transport corridor Primorje-1, the international transport corridor Primorye-2. The transport corridor “Northern Sea Route” connects the cities of Arkhangelsk, Dudinka, Murmansk. The international transport corridor Primorje-1 passes through Harbin, Vladivostok, Nakhodka and goes to the main ports of the Pacific region. The international transport corridor “Primorye-2” connects the cities of Hunchun, Kraskino, Zarubino and goes to the ports of East Asia.

Another important factor is migration. There are several types of migration: by direction, by nature, and also by its quantitative and qualitative characteristics. In different regions there are different types of migration. In regions that are borders, migration usually has a transitory character: immigrants stop in such regions before moving further into the country. The issue of migrants from abroad, their adaptation or work with them becomes a share of regional policy, and when forming a strategy for developing foreign economic relations of the region (Rey, 2016).

A person’s striving to find a place to live better motivates him or her to move around the country or outside, looking for new horizons. This process is being studied to balance the population density in different regions. Internal migration is characteristic of Russia.

Peculiarities of foreign economic activity of the Krasnodar territory. The main direction of foreign economic activity of the regions is cooperation with foreign partners. Our country is oriented, first of all, to operations with the sale of oil and petroleum products, in a larger amount these products are exported to foreign countries, if we talk about imports, then almost % is in the machine-building industry. The main partners are: Italy, Turkey, Liberia, and Ukraine.

Krasnodar Territory is one of the most promising and dynamically developing regions of Russia. There is a stable positive dynamics of the agro-industrial complex of the region, in addition, the sphere of construction, transport and tourist-recreational branch is developing. Two percent of the country’s GDP comes from revenues from Krasnodar Territory. Kuban is one of the leaders in terms of investment attractiveness in the country. The region is active, both in export and import policy, more than 90% of exports go to foreign countries and almost 10% fall on CIS countries. Imported goods include: food products and agricultural goods, fertilizers and chemical plant protection products, agricultural transport, metals, precious products, fruits, oil products, medicines.

According to the Federal Customs Service, the foreign trade turnover of the Krasnodar Territory in 2016 amounted to 9,300 million USD, in 2015 the turnover was \$ 7.4 billion (Arkhipov, 2015). The tenth part of the turnover is allocated to the CIS countries. The economy of the region can be characterized as oriented to a far abroad.

In the nine months from the beginning of 2015, the Krasnodar region’s imports amounted to almost \$ 3 billion, which is almost 30% less compared to the same period in 2014. The volume of imports from non-CIS countries is almost \$ 3 billion USD, which is less than in 2014, when it was 3.5 billion USD; the

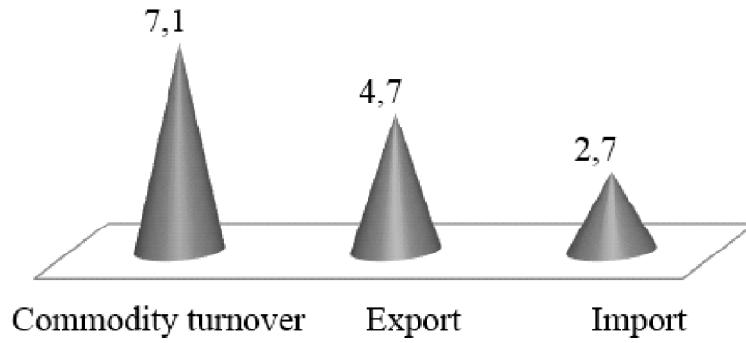


Figure 1: Indicators of foreign economic activity of the Krasnodar Territory in 2015 (billion US \$)

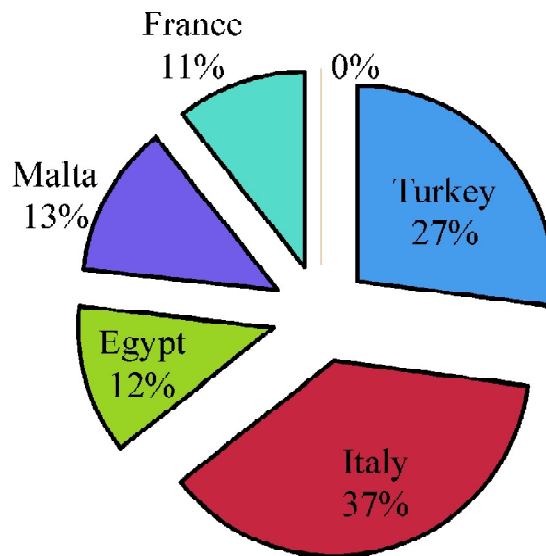


Figure 2: The main partners of the Krasnodar Territory and their share in 2015

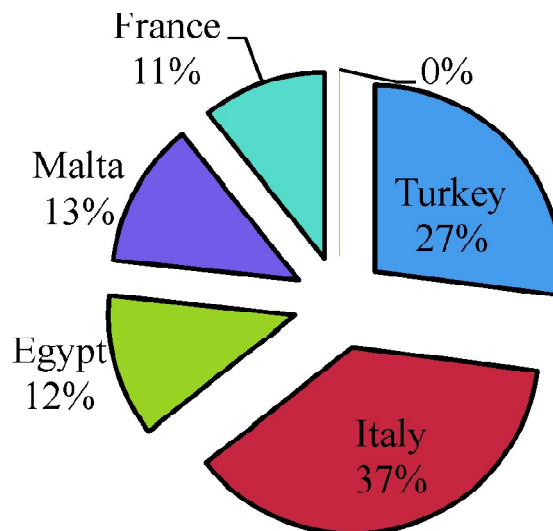


Figure 3: The main partners of the Krasnodar Territory in 2016 in the direction of exports

volume of imports from the CIS countries amounted to 0.1 billion USD, while in 2014 it was 0.2 billion USD. Also less is the volume of imports in 2015 compared to 2014, and is 75.5% (“Exporters of Russia”, 2017).

The main import directions in the Krasnodar Territory are:

- food products - 64.0%;
- machine-building products - 12.1%;
- chemical products - 6.5%;
- metals and articles thereof - 6.3%;
- other - 4,5%;
- wood and wood products - 3.1%;
- Textiles and footwear - 2.6%.

In the nine months from the beginning of 2015, the Krasnodar Territory’s exports amounted to almost \$ 5 billion, which is 39% less compared to the same period in 2014. The volume of imports from non-CIS countries amounted to \$ 4.5 billion, which is less than in 2014, when it amounted was \$ 7.4 billion, from the CIS countries, the volume of imports amounted to 0.2 billion USD, the volume of 2014 amounted to 0.3 billion US dollars. Also less is the volume of imports in 2015 compared to 2014, and is 56% (“Exporters of Russia”, 2017).

The main import directions in the Krasnodar Territory are:

- Mineral products - 65.9%;
- food products and raw materials for their production - 20.9%;
- metals and articles thereof - 7.6%;
- chemical products - 3.2%.

Socio-economic problems of foreign economic activity of the Krasnodar territory. Along with the rich investment attractiveness in the region, there are social and economic problems, referring to the Concept of National Security of Russia, in the economic sector there are threats, among which is a decrease in the ranking of regions with investment attractiveness in Russia. Along with this, investments for 2016 in relation to 2015, the flow of investments into the region decreased by 29%, their component has changed - the share of attracted investments that are directed to capital investments has significantly decreased. Negative indicators also have to do with the restraining access of enterprises of the real sector to raising funds abroad and their high price inside the state, in addition, conservative investment policy from the perspective of private investors (Shkurkin *et al.*, 2017). The Krasnodar Territory is determined by a noticeable disproportion in investment activity in parts of the territory: more than 60% of all received investments fall only on the cities of Krasnodar, Novorossiysk, Sochi, and slightly more than 30% for other territorial units of the region. In the cities where more investments are directed, the main financial, human and institutional resources of the region are concentrated. Consideration of the likely investment projects of the region in question is reflected in the fact that perspective investment projects on the territory of the region are reflected in the sphere of agriculture and tourism and recreation (Velichko *et al.*, 2017). Taking into account the indicator that there is a stable development of the presented areas and their profitability,

it can be argued that investments in these sectors, in the near future, will be attractive both for domestic investors, but also for foreign investors. This is due to the fact that the described projects will be considered first, for this special conditions are formed, taking into account international restrictions and sanctions, this indicator increases the chance of attracting foreign direct investment from both developed European countries and emerging markets. In addition, the main objects that participate in the submitted programs are territorially located in the underdeveloped areas of the Krasnodar Territory, this will make it possible to reduce investment disparity between the territories, redistribute investment investments and increase the social and economic achievements of the territories. On the territory of the province, in the sphere of foreign trade activity, as in other regions of this class of the country, the tendency of import of finished goods remains in exchange for the export of raw materials. By avoiding this problem is the change in the structure of foreign economic activity of the region, i.e. the reorientation of the activities of food enterprises for export. At the current stage, there are 55 enterprises operating in the Territory that produce foods. But only 7 of them are engaged in foreign economic activities and are engaged in the export of their products. Along with this, the products that are produced at the enterprises of the Krasnodar Territory are promising and meet international standards.

CONCLUSION

The main aspects that have an effect on the content and forms of introducing Russia into the world economic relations, and in addition have an effect on the formation of an integral market space in the state, is the promotion of the factors of participation of the regions of Russia in foreign economic activity. Foreign economic activity, in this case, becomes a significant aspect of the development of Russia's relations with the distant and near abroad, in addition, the world involved processes with the participation of Russia.

Specificity of a certain vector of policy lies in the focus on a single formation in the synchronous integration of all-Russian and international economic relations into the system. Krasnodar Territory is rapidly involved in the work of regions where the degree of economic development is above the national average. Krasnodar Territory has recently become a donor for the country's economic system (Novikova *et al.*, 2016). The region has a diversified industry; the region is among the leaders among the regions of Russia in terms of industrial production. The region is one of the largest agro-industrial regions in the country; the Territory is among the top three regions of Russia in terms of the share of production of agricultural products.

Economic security of the country depends, first of all, on the economic security of its regions. Krasnodar region has an important position in the country's economy; it is not only the main region in the domestic market that is important, but also the initiative participant in international relations. Favorable territorial position, availability of favorable natural resources gives the region the opportunity to export products and resources and reflect the positive dynamics of the foreign trade balance. Along with this, it is necessary to pay attention to the issue of economic security, which affects the stability of the region of Russia. The difficult political situation in the world reduces the investment attractiveness of the Krasnodar Territory, foreign competitors perceive the region as a platform for using resources in the production of their products. But, the region, in turn, has the ability for dynamic production and export to foreign markets of finished products that meet international quality standards. To form the region's competitiveness and maintain economic stability, foreign economic activity should be redirected to export finished products

instead of raw materials, and in addition to modernize production in less civilized regions to increase the investment attractiveness of the Krasnodar Territory.

Today, the Krasnodar Territory has natural abilities and advantages, they are in the resource sector of the economy, to ensure international, foreign economic cooperation. The plans of the local administration to form the main types of export products for consumers, which are quite demanded both now and in the future in the markets of states. The multiplication of the region's investment cooperation will be mainly attributed to the promotion of export-oriented projects of the region and the improvement of the quality of the investment climate for the increased motivation for investing in the region.

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