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Organization of Foreign Economic Activity of the Enterprise

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ABSTRACT

In recent years the Russian economy has substantially moved away from centralized planning and is to be found on the stage, which went over to forms of the government in the economy. The proclamation of the primacy of the market economy diversifies forms of cooperation with foreign partners. Foreign partners believe that trade with the Russian Federation representatives and CIS countries is connected with the high risk from the standpoint of stability and reliability of the realization of assumed liabilities in business and entrepreneurship. In the overall context, international activities of the company are more evident in programs and projects, and to a lesser extent - in the plans of the company. Implementation of operational plans largely completes the cycle which originated from the choice of mission. In fact, no more new plans are necessary to create because it will suffice to make some adjustments and updates to the content of the documents. However, the final point is always a similar work, which includes strategic planning, in which absence of feedback factor, which is realized as a result of taking into account the implementation of the Plan, control, and verification of the results, is absolutely impossible.

JEL Classifications: F13, F21, F23, F42.

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1. INTRODUCTION

At the present time there are three main directions of realization of the foreign partners' deals with Russia and other CIS countries:

- the export-import relations (operations with goods, including delivery in the third countries, too);

- joint ventures, covering manufacturing, finance, economic services, logistics, foreign trade, domestic retail trade, etc.;
- exploitation of natural resources - oil, gas, wood, coal, nonferrous metals, and others.

2. MATERIALS AND METHODS

The theoretical basis of the research is legislative acts, regulating the activities of foreign trade activities in the Russian Federation, instructions and normative materials on foreign trade activities of the Russian Federation.

As general scientific research methods, the following ones were used: historical, comparative-legal, formal-logical and systematic methods of scientific knowledge.

3. FEATURES OF THE FULFILLMENT OF FOREIGN PARTNERS' DEALS WITH RUSSIA AND OTHER CIS COUNTRIES

In the process of drafting of transactions, each of these areas is considered in view of the goals, as well as short-, medium- and long-term interests.

Short-term interests: the least risky and very real are the usual export-import operations. At the same time the foreign partner exporting goods to Russia takes into account the reliability of the means of payment of the Russian partner; while importing goods from our country, they strictly monitor the implementation of the supplies in accordance with contractual obligations.

Medium-term interests relate to projects that can be accomplished in a period of 3 to 5 years. In the process of their development, there may be a number of serious problems that need to be understood in order to finally determine whether to engage in this or that project.

The long-term interests are projects carried out in more than 5 years. These are mainly projects to develop natural resources, which require investments. With regard to our country, allocation of state credit is necessary.

Foreign partners tend to inherently link promotion of medium and long-term projects in the CIS countries to our economic and political stability. Both the shape and extent of their relationship to us will largely depend on whether the principal CIS countries - Russia, Ukraine, Kazakhstan will be able to develop a market economy and to adapt in the world economic community.

4. PROBLEMS HINDERING THE IMPLEMENTATION OF "RUSSIA-CIS" TRANSACTIONS

Foreign partners consider Russia as a country that has the greatest prospects in the economic plan of all CIS countries. But even here there are problems hindering the implementation of the transactions.

1. Reducing the role of the specialized agencies of foreign trade and a lack of qualified experts. After the collapse of the USSR there took place partial modernization of trade unions as well as certain changes in the structure and partly work directions of the Chamber of Commerce and Industry (CCI) of Russia, which was the legal successor of the USSR CCI.

Both economic and political changes in the whole life of the country have led to the fact that due to personnel cuts and other organizational and structural changes in the foreign trade associations, many experts retired or moved into commercial structures. In general, the number of experts in the trade unions has decreased; therefore, the role of associations has also decreased.

2. Insufficient stabilization of banking and financial system. But here, among the measures implemented in the last year or two, the establishment of specialized regional banks engaged in export-import operations, including the provision of credit companies to stimulate their foreign trade activities in the leading economic regions of Russia (the Urals, Western Siberia, the Far East, etc.) should be noted.
3. Delayed payment of fees, investment of foreign capital. Foreign partners at both levels of government organizations and banks, companies and individuals are concerned about the debt of the CIS countries. Unpaid debts represent a significant amount.

The amount of delayed payments increases when financial commitments deadline approaches. And this always will be like this, if terms of payment are violated. Many foreign partners consider this issue to be one of the acutest, hindering the development of foreign economic relations with the CIS countries. The debts of the former Soviet Union are now passed over to CIS countries. They can be differentiated as follows: (a) arising out of funding by the government agencies of partner countries; (b) resulting from belated repays of bank loans; (c) debts to individual traders; (d) belated payments of short-term loans. Except for the latter, they are middle- and long-term loans. Naturally, the individual trading companies show the greatest concern. Thus, the Japanese trading company credited deliveries of machinery and equipment to a foreign trade association of the former Soviet Union under the terms of deferred payment. But the payments terms have been prolonged several times, although on a number of contracts the loans were provided without insurance by the Japanese government.

Meanwhile, direct investment of foreign capital is becoming increasingly important for the development of the Russian economy (Bogoviz, Ragulina & Kutukova, 2016). With the help of foreign investments, we can partially compensate for the lack of own funds, raise the level of equipment and technology, improve management skills, thereby facilitating adaptation of the Russian economy into the world community. The Russian economy, which has a large domestic market and abundant natural resources, continues to attract foreign investors.

In accordance with the Presidential Decree, there has been established the Committee on Foreign Investment under the Ministry of Finance. This body is designed to take over the coordination of solutions to problems of foreign investments in the Russian economy.

4. The complexity of the operation of joint ventures (JV), enterprises with foreign capital. Since the very first moments of creation and functioning of the joint venture in our country, foreign partners have been more concerned about the issue of preferential treatment participation. Of course, there are some progressive changes to be seen here. For example, Russia has recognized the right of a foreign partner for 100% of the investment.

5. JOINT VENTURES AS A PART OF THE MARKET SECTOR OF THE RUSSIAN ECONOMY

JVs are becoming a prominent element of the market sector of the Russian economy. These companies carry out procurement of production and sales, financing of current and investment operations, personnel and certain social welfare of their employees solely on the basis of horizontal links with domestic and foreign partners, without any involvement of state bodies of economic management. Their key economic indicators, such as labor productivity and capital productivity in the whole set of joint ventures are higher than those for state-owned enterprises.

In the structure of JV sales on the domestic market the share of imported consumer goods, computers, and office equipment, as well as machinery, equipment, vehicles, purchased from Russian manufacturers and sold at free prices in Russia and abroad is increasing. Thus, we can unequivocally say that in the sphere of industrial production there are not many JVs, and yet this activity opens up rich possibilities for the introduction of advanced technologies and training of personnel capable of managing modern production.

One-third of Russian joint ventures and a quarter of the agreed investments are concentrated in the social complex (trade, catering, tourism, hotel and catering, health care, textiles, film and video, printing, and so on).

About 20% of the total number of joint ventures are registered in various business services (engineering, consulting, training, advertising, mediation, and others.). Overall, more than half of the joint ventures are registered as created to provide services to the public and businesses.

There is a distinct group of JVs, registered in the computer business, and intended for the manufacture of personal computers and other computer equipment and software.

It is especially necessary to distinguish joint ventures which sustainably develop their own production of products and services, having conquered a firm place among specialized producers. Their example shows that investing financial capital in technology in the territory of Russia can be effective even with the existing investment policy instability.

The number of joint ventures in the autonomous regions, territories, regions of the Russian Federation, including quite remote ones, grew. Their output of goods on the domestic market grew in volumes, as well as reinvestment of their profits in the country's economy.

Extremely capacious Russian market, rich natural resources, relatively cheap labor, energy supply, significant scientific and technical and industrial potential retain their value as attractive to foreign investors' parameters of the host country.

Unfortunately, many companies are increasingly moving away from statutory activities and act as intermediaries, without the involvement of new technologies or major investments.

The lack of a clear legal legislation hampers the involvement of foreign companies in the sphere of real estate because they have not yet adopted legal acts on the basis of which the transfer of ownership is permitted. In fact, the formation of free economic zones (Vyborg, Sakhalin, Nakhodka) has turned out to be minimized.

Until recently, there has been no legal and institutional framework of foreign investment. The newly created Committee on Foreign Investment is busy upgrading of existing and creating new databases of foreign investments. The Committee has proposed a number of amendments to the Law “On Foreign Investments in the RSFSR” dated July 4, 1991, in particular, paying special attention to the status of foreign investors, development of the provisions of the Stability guarantees for them.

The Committee participates in the development of legal offers on the participation of foreigners in the privatization program and the operation of free economic zones. An important direction of work of the Committee - the international legal protection of foreign investments.

6. RUSSIAN FOREIGN ECONOMIC ACTIVITY AND ITS REGULATORY SUPPORT

Russian Foreign economic activity is reflected in the laws, presidential decrees and regulations. Improving the regulatory framework of the state system of regulation of foreign economic activity is important. There is the need to harmonize the regulatory framework in accordance with international practice. Thus, the laws “On Foreign Investments” (new version), “On Free Economic Zones”, “On Customs Tariff” are meant to contribute to the creation of favorable conditions for attracting foreign investments in Russia.

Rates of export and import customs tariffs are adjusted; proposals to reduce customs duties are developed, the basic principles of import tariffs are prepared, and export control of strategic commodities is improved. This, in particular, is what the Presidential Decree of May 23, 1994, No. 1007 “On the Abolition of Quotas and Licensing of Supplies of Goods and Services for Export” is dedicated to.

The law “On International Treaties of the Russian Federation” dated 16 June 1995 provides that the Russia’s international treaties in accordance with the Constitution are part of its legal system.

The Law of Russian Federation “On State Regulation of Foreign Trade Activity” No. 157-FL, dated October 13, 1995, defines the relationship between the state and participants in the foreign economic activity.

The law “On Currency Regulation and Currency Control” No. 3615-1 of 9 October 1992 is designed to regulate the conduct of currency operations.

According to the Decree of the President of the Russian Federation “On the Basic Principles of the Foreign Trade Activities” the institute of special exporters, which existed prior to March 25, 1995, is liquidated.

The enterprise is becoming the main subject of foreign economic activity in our country. And further development of this activity, its main direction is the involvement of enterprises and organizations from all regions of Russia into foreign economic relations. However, businesses need help and support, encouragement of progressive changes in the commodity structure of exports and imports in search of new and promising markets abroad, removal of discriminatory restrictions on Russian exports in world markets.

Of course, the function of tariff regulation of foreign economic activity stays the state’s prerogative. The main directions are:

1. Export: further adjustment of the rates of export duties towards their reduction; reducing the range of goods subject to duties;

2. Import: continuation of work on the differentiation of the import tariff rates to strengthen its enabling and protectionist functions; the introduction of anti-dumping, countervailing and special duties when importing goods.

Often the complaints of foreign economic activity participants, both regions, and individual companies, are about the work of the customs service, as the recent years have seen an intensive increase in the volume of export-import operations. All this complicates the activities of Russian companies, especially engineering, which component parts are sent to multiple destinations abroad and receive from them.

There are cases where the delay in the passage of goods through customs lead to shutdowns of production and economic losses. Therefore, improving the work of the customs service is an important task. In Sverdlovsk region, a plan of joint actions of the Administration and the Ural Customs Administration has been worked out. In accordance with this document new customs posts open up, social problems of customs are solved, there is a change in the mode of registration of declarations for a number of large enterprises; there are also plans to create a special fund for infrastructure development.

When trading with overseas partners questions of insurance of export-import operations are important, as well as guarantees to foreign investors, loans for our exporters, infrastructure development, information support of foreign trade activities, etc.

7. FEATURES OF EXIT STRATEGIES IN THE FOREIGN MARKET FOR SMALL AND MEDIUM ENTERPRISES

At the basis of the international activity of the firm, there is a certain amount of strategic solutions, developed by the relevant managers. For the efficient operation of the enterprise strategic goals must be rationally formulated:

- it is necessary to take into account all the key points that are used in foreign economic activity of the enterprise;
- to ensure the implementation of the general objectives of the company at the level of fluid plans, the company's activity, and operational decision-making.

And now we proceed directly to the stages of policy development. There are the following main stages of the strategy development process:

1. The division of mission and objectives, the study of the external and internal environment, strategy formation, strategy action.
2. Development of the mission is the first step in strategic management. The mission may have several concepts of existence and development of the organization. The task of the mission is to provide an art of origin and existence of the company.

The content of mission of the organization is determined by three key factors:

- it should be expressed in simple acts and in a convenient form;
- the heart of this mission should feature task to ascertain the needs and interests of consumers; the question why consumers will receive these goods and services from this organization and not from another should have a clear answer.

Mission, respectively, can be determined by:

- the range of needs that are necessary to the consumer;
- the set of consumers;
- the products produced;
- competitive advantages.

The mission of the company is to be formed on the basis of the definition of its place in the market; or, in other words, its general goal is the action of certain types of products and services which are focuses on individual consumers. On this basis, we can say that the output of goods and services to foreign markets involves some changes in the mission, primarily related to the expansion and the change range of consumer products.

The advantage of a well-articulated management mission consists in finding long-term objectives of the company and ensuring business communications solutions.

The list of objectives which a firm is engaged in while carrying out international operations by its structure does not differ from the general list of objectives, unless due to the particular circumstances at the moment these objectives are irrelevant and therefore not taken into account.

First of all, it is the marketing department that should be engaged in the definition of objectives in the first place. It should explore the issues and challenges of entering the foreign market, the value of sales in this market segment. The growth rate and the growth of these indicators are important targets of the company's activity.

Going beyond the domestic market, the company also forms specific objectives, according to the production manufactured, which are linked to its competitiveness (regional standards, national traditions, climate).

If the international activities of the company are related to the implementation of investments, its development is attended by foreign production bases.

8. THE MAIN STAGES OF THE STRATEGY DEVELOPMENT PROCESS IN FOREIGN TRADE

Among these are the value of the sale, use, and its dynamics, rational enterprises placement from the position of the tax policy, the effectiveness of foreign exchange transactions. Subordinate objectives relate to such factors as the amount of equity capital, assets structure, the height of receivables and payables.

Each firm in respect has its own characteristics of the staff. In the normal course of business there appear cultural and traditional differences between schools of management in different countries, as well as language and other barriers.

What the International Strategy Provides

Opportunities:

1. The development of the national economy.
2. Entry into new markets.

3. Expansion of consumer demand.
4. The socio-political stability
5. Stability of the state.

Threats:

1. Inflation.
2. Negative demographic action.
3. Reduction of income
4. Negative environmental situation

Strengths:

1. Competitive advantage (uniqueness).
2. Awareness of the state of the market, of the customers' needs.

You should always prioritize the most unique products for the development of new markets and the continuous monitoring of the consumer ability in order to improve product quality and increase the volume of products. But in some cases, the opposite situation is sometimes beneficial, such as a reduction in the release of the product to ensure that there are not too much leftover.

Internal

Weak sides:

1. The lack of some of the key skills
2. No separate skills in management

Reducing the volume of production or marketing opportunity only to wholesalers reduces the additional losses due to inflation.

The study of the internal environment is a test of such enterprise resources as:

1. Financial resources;
2. Manpower;
3. Productive assets.

Analysis of financial resources. Financial resources are characterized by: current and future flow of funds; the possibilities of their movement; availability of capital; objectives in respect of the profits and dividends. In essence, the receipt of funds presupposes acting company strategy and its relevant changes, on the other hand - help in the expansion of activities, development of new products and new foreign markets.

Another indicator is assistance in moving funds. It is increasingly related to the characteristics of the local conditions in each country. This is quite an important point, because at this stage it is possible to assess the real risks of the company. This refers to such important aspects as the freedom of capital and other resources in the countries in which they are located; resources liquidity and other matters.

Borrowed property is the second source of financial resources for the operation and development of the company.

9. THE SUMMARY

Therefore, it is possible to draw conclusions as to the availability of capital according to its type. Thus, to get a bank's trust a company is obliged to provide the conditions and guarantees for its return. Attracting investors needs no guarantees or pledges - there is only one rule or economic interpretation which in this case has the following character: the object of proof is the production activities of the company as a whole.

The ability to attract local media is important for the reason that there may be a restriction on the participation of foreign investors in the authorized capital.

Analysis of the labor force. Among the indicators which should be involved in this analysis, we note: the overall number of staff, the height of the use of personnel, assistance in moving workers from one enterprise to another, help to attract additional resources.

The first indicator provides an opportunity to assess and measure the qualification structure of the existing staff as to the potential development of the company. It should take into account criteria such as labor indicators regarding the firm and its competitors. The level of organization and internal company personnel provisions - with a view to its expansion and minimizing costs that means organization savings. This method should be applied if a significant unevenness in the use of means is observed.

The second indicator is help in attracting new jobs directly where the firm generates its activity. This is one of the important indicators of the company's development.

10. CONCLUSIONS

The intention to produce products overseas adds to the list of requirements, standards, and traditions that are associated with the production such an important aspect of the production activities of the company as the norms applicable to environmental protection and management features.

Also, government regulation of business has a significant impact on the company's international activities. Here an important role is played by the investment legislation in relation to foreign investment. The established rule of antitrust regulation is of great importance in the current country.

All these and other regulators should be evaluated from the perspective of the state, above all, its own legislation. All attempts of corruption and the general political corruption must be nipped in the bud.

Also, when doing the external environment analysis the socio-cultural, geographical and other factors should be taken into account.

Company's international strategy is a reflection of coordinated actions organized according to the generally accepted international standards. Different objectives and implemented differently. There are several methods and combinations of these methods, which creates alternative selection strategies. So, one of the prerequisites for success in the market is to have a competitive advantage, which is differentiation and concentration; division of spheres of competition, which is applied to a competitive advantage. This means taking one of the typical marketing strategies.

Division of the basic strategy that defines the very products of the company, promoted by the world market is also important in the international management.

Any strategy aimed at cost savings, and it can be used as a competitive advantage.

The advantage of the company consists of the division of strategy, focusing on marketing issues, as well as for scientific research practices in industrial relations. In contrast to the strategy, the aim of which is to obtain a competitive advantage, which is not recommended for the same product name, here different options strategies are allowed to be used.

Also it the strong point of implementation within the overall strategy of the firm any and all purposes should be noted. “Hand up” of any goal can cause a number of reasons which slow down or completely stop the entire production process. Therefore, in the case of inadequate policies, it is necessary to try to solve these problems as soon as possible - otherwise, it may have to go about the likelihood of revision of all the earlier strategies and previously set goals.

In general, for successful trading with foreign partners the following problems need to be solved:

1. The formation of the progressive structure of exports; the creation of its system of state support, including funding, lending, and insurance;
2. The promotion of Russian goods and services to foreign markets with the informational and financial support of the state;
3. The improvement of the import tariff;
4. The continuous monitoring of validity of prices and directions of foreign currency use; the pursuit of favorable trade regime in relations with foreign countries and their trade and economic organizations and unions, the removal of discriminatory restrictions on trade with Russia;
5. Coordination and regulation of activity of participants of foreign economic relations of Russia, monitoring of compliance with their state interests;
6. The creation of conditions for the attraction of foreign investments and the success of foreign investors.

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