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Importance of Foreign Trade in the Economic Development of Russian Regions

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Abstract: Growth of the role of the regions of the country in the development of Russia's foreign economic activity has been given more relevance and importance. Owing to the involvement and diversification of international foreign economic relations, regions can acquire significant additional profits from foreign economic activity. International economic relations make it possible to increase investment attractiveness and lead to socio-economic development of the subjects of the Federation. This article analyzes the specific features and the main trends of Russia's foreign economic activity, and describes the problems of development of foreign economic relations, as well as ways to solve them. It is likely that under the same conditions, the regions of the country and transnational companies that have extensive foreign economic activity will have insignificant losses during the crisis. This is due to their rather high level of competitiveness, and their ability to diversify during the period of shrinking sales and the downturn in the world economy. One of the main methods for developing foreign economic activity in the regions of Russia is the definition of the investment attractiveness of the region in foreign countries, the successful positioning of its capabilities and opportunities in relation to foreign partners. Foreign economic opportunities for the development of a certain region, as a rule, depend on the successful promotion of the developed strategy of social and economic development. This allows to reflect the main advantages of the constituent entity of the Federation, its growth points, from financial investments to attraction of new labor and intellectual resources.

Keywords: foreign trade activity, import, export, market conditions, foreign trade, foreign economic relations

JEL Classification: F10, P33, P45, R19

INTRODUCTION

Today, the Russian regions have great opportunities to promote their interests in the world. Taking into account the current world trends, the effective promotion of market reforms, stabilization, growth at the national, and more importantly, at the regional level, are impossible without integration into the world economic space. For this reason, there is a need to develop methods and vectors for the optimal development of the economy of a particular region in the world space, taking into account the policy of the state.

In these conditions, the formation of methods and forms of regulation of foreign economic activity that can effectively affect the growth of the economy becomes especially topical. The process of involvement in the world economic relations of the regions, taking into account their specificity, export-import potential and favorable geographical position, has also been emphasized (Silnov, 2016; Shumakov, Troitskiy & Silnov, 2017).

The formation of modern Russian economy involves active participation in the international relations of all levels of government. The main aspect of regulation and growth of Russia's economy for the near future is a step-by-step restructuring of the country's economy, which is focused on dynamic involvement in the world space based on the redistribution of processes in the field of foreign economic activity to the level of Russia's regions. The goal of vertical restructuring of the country's economy should be to produce, most importantly, at the level of individual regions, the most efficient and competitive economic entities; this process is evident both in the domestic and world markets.

The development of trade, economic and cultural partnership with foreign countries will strengthen international ties, balance relations between countries. The degree of development of foreign economic activity is becoming a certain indicator reflecting the state of society, its material condition, and its socio-economic development (Bown & Reynolds, 2015).

For the Russian Federation, foreign economic relations are a fundamental factor in shaping its economic growth.

The economic development and growth of the population of the country in different regions of the world is uneven, which, in turn, creates the need to multiply international relations and exchange of experiences that contribute to the development of new markets (goods, services, labor, information, financial), and imports and exports of raw materials, Technological and information exchange, as well as scientific and technical, industrial, cultural and other foreign economic relations.

LITERATURE REVIEW

Foreign trade activity has always been the main direction of the country's policy, as it forms the basis for successful trading activity and favorable investment climate in the state. The current processes of globalization and internationalization have changed the conditions of foreign trade, shifting the emphasis towards the level of regional entities (Iamsiraroj, 2016). The role of regions as subjects of the international process today is significantly increasing; the local government bodies are more dynamically involved in foreign trade activities, helping foreign businesses in their regions, encouraging enterprises to study foreign markets, determining factors for effective foreign trade.

Today, Russia is going through a difficult period of qualitative reforms in the field of foreign trade relations. The formation and development of foreign trade policy of the regions should be of great importance in the work of local authorities. Along with this, the basis for the development of the foreign trade activities of the region should include innovations. The innovations in foreign trade will enable the region to adapt to the changing factors of the international environment.

The methodological basis of the study is metaphysical and system functional benchmarks, methods of optimal logic, functional and institutional research, statistical aspects of the study.

The problems of development and improvement of foreign trade relations of Russian regions, their effective involvement in the system of foreign trade relations remains insufficiently studied. These issues are addressed in the works of Russian scientists A.A. Maltsev, M.I. Maslennikov, L.E. Strovsky, A.G. Tarasov, and others. They believe that international and foreign trade relations play a key role in the development of the subjects of Russian Federation, which favors an increase in investment attractiveness and socio-economic development of the territory.

Foreign authors J. Keynes, M. Porter, D. Ricardo, A. Smith, and others, attached great importance to the theories of international trade and the formation of recommendations for the country's foreign economic policy.

According to the researcher V.V. Pokrovskaya, the concept of foreign trade activity was established in Russia in 1987, with the need to modify the management system and with the implementation of reforms in the sphere of foreign economic policy of the state.

In the studies of the economist T.V. Voronina, foreign economic activity, in comparison with foreign economic relations, is characterized as a capacious, generalizing system. Foreign trade, according to the author, acts as the most important link in international and national production relations, while international production relations accumulate the whole complex of relations between subjects of national economies.

According to A. I. Tatarkin and A.F. Lipetskii, the regions pursue their own interests and autonomously develop foreign trade activities, jeopardizing the integrity and complexity of the Russian national economy. In addition, in their opinion, the free nature of the definition of foreign trade relations of a region of Russia leads to interregional competition, which is not positive for the Russian economy as a whole.

Analysis of the variety of functions of the region, including foreign trade, was carried out in the works of E.G. Animits, V.L. Bersenev, L.M. Kapustina, M.I. Maslennikov, A.N. Pytkin, A.I. Tatarkin, and others.

Despite the vivid scientific interest in the issue, theoretical and practical work in the field of managing foreign trade activities at the level of the regions of the country does not have a permanent character.

MATERIALS AND METHODS

In the period of a reduction in domestic demand, retargeting to the external market is one of the main factors supporting the national industry. The views of the open economy determined the rapid growth of the importance of foreign trade activity for the regions of Russia. However, because of the specific features of the national economy, they differ significantly in terms of exports, involvement in foreign trade relations in general, etc.

During the period of transferring the complexity of economic transformations to the regions and expanding their powers in the field of foreign trade activities, the development of foreign trade relations of the Russian Federation depends on the production capacities of the regions, which indicates the need for a research topic, which describes the need for a general economic and statistical study and evaluation of foreign trade activities in Russia in general, and in its territories (Doronina *et al.*, 2016).

In the current conditions of globalization and integration, increasing regionalization of foreign economic activity, both from a theoretical and practical standpoint, the role and meaning of isolated regions as subjects of foreign trade activities need to be revised. The place of strategic management of the region should also be revised to meet the requirements of the general policy of regional development. Today, not all Russian territories have equal potential for effective promotion of foreign trade, which in practice leads to increased economic discrepancy between Russian regions. This creates barriers to relevant reorganizations in the country, hinders the process of forming the single market and the stable social and economic development of the state.

The object of our research are subjects of foreign trade activity of Russian regions.

The subject of the study is the system of organizational and economic relations that arise in the process of formation of a regional foreign trade strategy.

The theoretical basis of the study is comprised of the works of Russian and foreign economists and specialists in the field of regional management, world economic relations, foreign trade activities, strategic management, globalization and integration.

The methodological basis of the research is the scientific methodology and the works of social and economic researchers. The following general scientific methods were used: analysis, synthesis, classification, economic-statistical, comparative, structural-logical synthesis, graphical methods for displaying information (Mamychev, Ivanova, Ranchinskaya & Kobersy, 2017).

The scientific novelty of the work consists in the formation of methods of statistical analysis of the data of foreign trade activities of Russian regions, socio-economic and political indicators that affect the location of individual regions in the foreign trade activities of the state as a whole.

The theoretical value of the research is in the solution of scientific and applied goals of determining the institutional structure of the region's foreign trade, which leads to an increase in the effectiveness of the development of foreign trade activity and the economy of the region as a whole. Conclusions of the study, which are reflected in the theoretical approbations and proposals, can be used for further research work in the area.

The practical significance of research lies in the potential of applying the findings of the work for planning the economy of foreign trade relations, the development of measures to regulate foreign trade activities, in separately taken regions, and the Russian Federation as a whole.

DISCUSSION

Foreign trade in modern Russia. The globalization of existing international relations and integration of national economies into economic systems define foreign trade activity as a key task in the structural policy of any country in the world. Foreign trade, being the main component of economic development, needs a competent management system, especially for the countries with transitional economies.

In order to spur the growth of the national economy, the Government of the Russian Federation and the executive authorities of the constituent entities of the Russian Federation, in accordance with the current legislation, form foreign trade policy through the implementation of Federal and regional programs for the development of foreign trade activities.

Foreign trade activity is an activity in the sphere of international exchange of products, activities, services, information, and results of intellectual activity.

Promotion of goods in foreign trade occurs in one way – moving it across the border. In case of services, their promotion across the border is carried out by one of the methods or a combination thereof, given below:

- cross-border promotion of services or the transfer of consumers to the exporting state; registration of a commercial presence in the state that receives the service;
- temporary movement of individuals to another state, for the provision of services.

Foreign trade in goods (services) is the import / export of goods (services). Its object is a product (service) – movable property; in addition, these are real estate goods.

The definition of “foreign trade activities” characterizes a number of economic relations arising from international economic cooperation. At present, almost every enterprise carries out foreign economic activity, regardless of the form of ownership, nature and volumes of production (*External economic activity*, 2014). The peculiarity of international exchange of goods and services, the multifaceted legal regulation and the technical implementation of foreign trade operations are determined by the presence of specially designated services at the enterprise, whose functional responsibilities are to prepare, provide and maintain the entire business activity with the participation of foreign partners. Foreign economic activity forms a complex set of economic relations, which is characterized by independence, unity, regulation, its own conceptual apparatus, and, in addition, by specific legal methodological tools that are peculiar only to these relations (North, 1991).

The management of foreign trade activity and trade policy is carried out by state bodies for the formation of positive conditions for foreign trade, preservation of its economic and political views and aspirations (Foley & Manova, 2015). Russia’s trade policy has become a major part of its economic policy; it is focused on creating a positive climate for domestic exporters, importers, producers and consumers of goods and services. The information on the foreign economic and trade policy of the Russian Federation is managed by the Ministry of Economic Development and Trade.

Foreign trade activity in the Russian Federation is regulated by the Constitution of the Russian Federation, the Federal Law “On State Regulation of Foreign Trade Activity,” the Federal Law “On Measures to Protect the Economic Interests of the Russian Federation in the Implementation of Foreign Trade” and other laws and regulations of the Russian Federation, norms of international law and international contracts of Russia.

The significance of foreign economic activity of regions for the Russian economy. Today in Russia, the configuration of foreign economic cooperation has a strong dependence on the economic development of individual regions. There are several characteristics of regional development, shown in Figure 1.

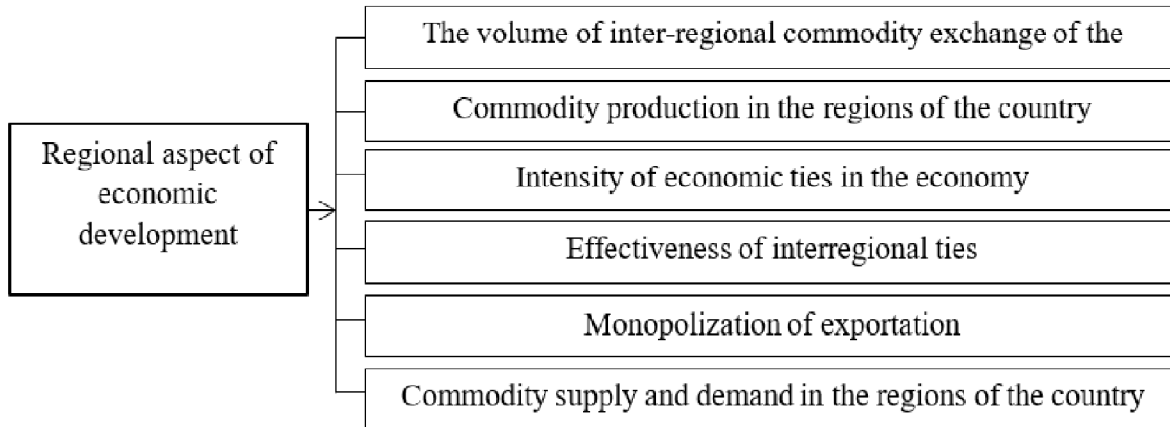


Figure 1: The main characteristics of regional development

In Russia, there are agro-industrial and hard-to-reach regions. These types of regions are characterized by a policy of stimulating foreign investment, which includes a simplified taxation procedure provided by local governments, loans for the creation of new jobs and stimulation of entrepreneurial activity.

The recommended basis is the formation of a favorable tax regime for regions with a predominantly mining industry for foreign investment; a possible option can be exemption from payment of local taxes while preserving state taxes, as well as the use of depreciation and other economic incentives.

In the urbanized territories, with their huge scientific and technical potential, the protection by the state of conversion and detailed restructuring is needed, which requires centralized capital investments.

The regional administrations and the departments they form have the following rights: to choose foreign partners and enter into contracts with them for the promotion and purchase of products and services at the expense of formed currency assets or on another basis; to take part in the formation of scientific, cultural, tourist, sports, health centers and other enterprises for economic, scientific and technical partnership, connected with the equipping of the social and production spheres with modernized equipment, methods of mechanization for housing and communal, urban development, organizations for processing agricultural products, improving their material base, etc. (Vardomsky & Skatershchikova, 2012).

The main functions of the constituent entities of the Russian Federation in the field of foreign economic activity are modernization of the territory's economy (through participation in the promotion of state programs, or independently); crediting and insurance of export and import transactions of regional importance; development of economic cooperation with foreign partners and their regions in the presence of bilateral interest; marketing and information structure; export-import operations that would satisfy the needs of the Russian region.

One of the presented forms of foreign economic cooperation of the territories is the attraction of foreign direct investment, and the formation of enterprises with foreign investors.

Forms and significance of Russia's foreign trade relations. Related to the above forms of scientific and technical partnership is the trade in licenses, which is the authorization to transfer the rights to use an invention, industrial experience, the product brand, and the implementation of technologies not protected by patents (innovations).

One of the forms of foreign trade partnership between Russia and other states is leasing, which is a long-term lease of machinery and equipment. Leasing can be characterized as the driving force of modern entrepreneurship, since it favorably affects the rapid turnover of equipment and, therefore, guarantees the success of the enterprise.

Today, leasing has become one of the most dynamic forms of foreign economic relations in the Russian Federation.

A significant role in the development of the economy and foreign trade relations is played by the banking system. The Russian Federation forms close relations with the main international financial organizations - the International Monetary Fund, the World Bank, the European Bank for Reconstruction and Development (Fontagné, Orefice, Piermartini & Rocha, 2015).

A modern direction in providing foreign trade relations is partnership in the field of information services. In the Russian Federation, information technologies play a fundamental role, reviving economic ties. For a long time, there has been an international network of relations between the information centers of Western and Eastern Europe through the metropolitan node of Russia in the Research Institute of Automated Systems (*External economic activity*, 2014; Iamsiraroj & Ulubaşođlu, 2015).

Trade relations play the main role in Russia's relations with foreign partners. One of the main goals in Russia's foreign trade is the increase in the number of trade relations and the improvement of the structure of foreign trade with the countries of the former USSR. The number of operations for the import of goods from the CIS countries to Russia is growing. These operations are evidence of positive dynamics in establishing foreign trade relations with neighboring states. The main imports from the CIS countries are aluminum ores and concentrates, oil, oil products, food.

Today, foreign trade has a great influence on the economic and social development of the regions of the Russian Federation. The integration of the territories of the Russian Federation into the world economic space involves fulfilment of a large number of tasks. These include the definition of a new geopolitical task for the regions of Siberia and the Far East of Russia, the modification of their place in the economy of the country.

Development of Russia's foreign trade in the current conditions. Since the growth of tension in the relations with Russia's international partners, the vector of foreign trade relations has changed. The negative reaction of Western countries and partners to the military and political situation in Ukraine and the analysis of these events by the leadership of Russia led to the need to a number of decisions – putting pressure on Russia's foreign trade policy, economic sanctions restraining the participation of Russian regions in trade and investment, and technology cooperation.

In our opinion, sanctions increase the tendency for import substitution within the country, and especially in the areas that are most dependent on foreign technologies (Antràs & Yeaple, 2015). Talking about the potential for import substitution, it should be noted that organizations that acquire imported goods cannot “buy domestic”, because the required funds, raw materials, components, machinery and equipment for the production of such goods in Russia are insufficient, or completely absent. At the beginning of 2015, the percentage of enterprises that faced the lack of Russian analogues of imported equipment and raw materials was in ferrous metallurgy - 75%, in nonferrous metallurgy - 74%, in machine building - 60%, in timber

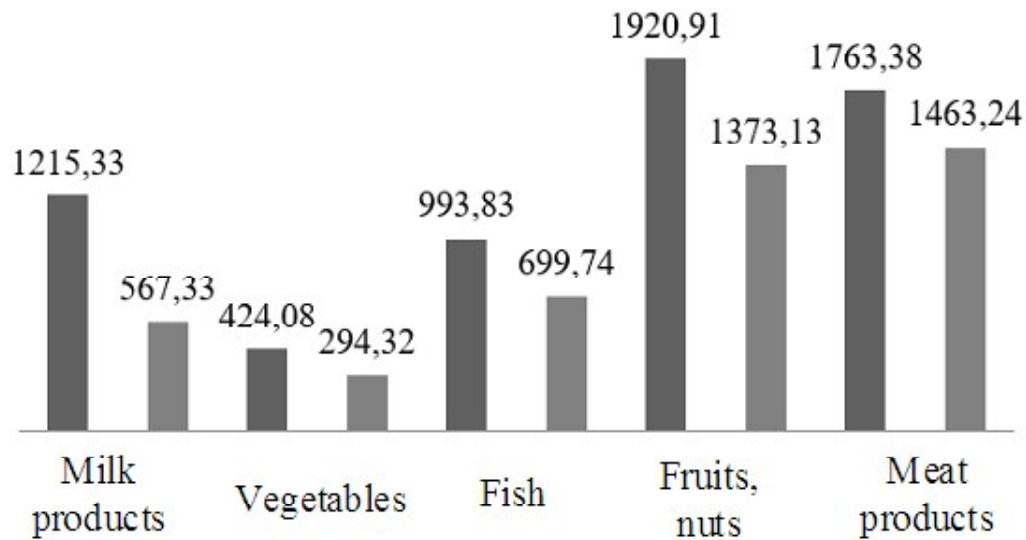


Figure 2: The Dynamics of changes in the import of goods, the ratio of 2013 to 2014, US million dollars

industry - 70%, in construction materials - 20% (*Foreign economic activity...*, 2012). This forced Russian enterprises to focus on imports from the countries of South-East Asia. However, a number of products and technologies are unique, or patented, which makes it difficult to replace them with analog products from other markets and it is not always possible to find an equivalent substitute (Kretov & Sadchenko, 2003).

Speaking about the prospects for the development of the Russian economy and foreign trade ties in the face of current challenges, it should be noted that our state is going through difficult times. The Russian economy in 2014 faced two serious limitations of national economic growth: the introduction of sanctions and reduction of oil prices. However, in recent years, in the national economy there have been some structural changes aimed at ensuring resistance to negative factors of the external environment.

We also note positive aspects: an increase in the share of the non-primary sphere in the volume of exports, an increase in the supply of textiles, food and machinery. Many exporters found new markets, at the same time, importers, after a recession, focused their attention on the CIS countries. Clearly, it is still too early to think about long-term changes, since the food embargo and devaluation, which have become incentives for Russian exporters, may cease to exist.

The positive trends are:

1. Transformation of the monetary policy, which implies free circulation of the national currency and stronger control over inflation.
2. Replenishment of the Reserve Fund of the Russian Federation aimed at supporting the Russian economy.
3. A number of Russian enterprises have restructured their assets, improved their loan portfolio, and reduced costs. What will help improve business processes (Tremasov, 2015).

The main aspect that limits the development of Russia's foreign trade is the unstable competitive position of Russian enterprises in foreign commodity markets, which is explained by negative actions in

the commodity structure of exports and a decrease in export diversification (*Foreign economic activity...*, 2012).

Another significant factor that affects the efficiency of export activities is the limited state regulation of foreign trade: limited financing of state export support systems; reduction of state stimulation of the system of export assistance; absence of interrelation between all participants of the Russian export system, the Russian system of state administration of foreign economic activity; lack of effective and acceptable goals and directions in the formation of incentives and organizations for export and foreign trade policy of Russia.

CONCLUSION

Regions of the country are subjects of the Federation, endowed with their own powers, having their own legislative basis, and leading their own foreign trade activities. The level of development of regions is different. A number of regions are characterized by a low level of organization and investment attractiveness. Cooperation with foreign and domestic partners is of great importance for such regions since the import and export policies are influenced by investment attractiveness.

Regions with a rich natural and resource potential (oil products, metals, timber, water areas, agro-industrial complex, tourist and recreation sphere, etc.) have a greater attractiveness for foreign investors, and as a result, a greater turnover of finance within the region, resulting in a high standard of living, a stable demographic situation, the level of employment, favorable ecological situation.

Regardless of the degree of attractiveness of the region, it is necessary to develop the level of export of goods, modernize production, introduce advanced technologies and innovations, and focus on the external market. In the current situation, external relations are both profitable and necessary.

Until now, the problem of producing goods aimed at import substitution remains, however the positive dynamics is present. The production of goods and an increase in their number will lead to the growth of domestic production, an increase in the number of jobs; it will stop capital drain, increase tax revenues of the local and federal budget. The growth of exports contributes to the increase of investment attractiveness of the region.

Last year was not the most successful for the Russian economy. Nevertheless, the end of the year saw some positive dynamics. The problem had arisen for a number of reasons, among which was the decline in exports and imports, which was due to the devaluation of the ruble, a decrease in production, and the imposition of a food embargo. These trends influenced foreign trade.

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