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MANAGEMENT OF FOREIGN ECONOMIC RELATIONS BASED ON STRUCTURAL POLICY

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Abstract

With the intensification of globalization and informatization processes, the development of foreign economic relations between countries intensified. The structure of interrelations of economies of different regions and countries is determined by a set of various factors and conditions. The growth of foreign exchange enhances the role of foreign economic activity management of business entities. Areas of specialization of the Russian economy reflect an imbalance in its structure, a discrepancy between the geographical position and economic possibilities of the country. Foreign trade activity is the most important factor in increasing the efficiency of the real sector of the region and the socio-economic development of the region largely depends on its structure. The policy of regulation of foreign trade should be based on self-development and self-regulation of the national economic system. Foreign trade activity is regulated in a certain way by the regional authorities in terms of developing the regional economy and increasing the competitiveness of the region and its economic independence. Freedom from Russia's one-sided specialization is seen in the revival and diversification of its own export-oriented production. The paper analyzes the current state and conditions for the development of Russian foreign trade. The basis of the analysis revealed export-import features of the country's foreign trade operations and the downward trend in Russia's foreign trade turnover. The dependence of the structure of external relations on the structure of production in the country, as well as the insufficiency of strengthening the tendencies of import substitution within Russia, has been identified.

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1. Introduction

At present, the interrelation and interdependence of economies of different regions has significantly increased on the basis of “deepening and developing foreign economic relations that depend on natural (natural, geographical, climatic, demographic, etc.) and acquired (industrial, technological, etc.) factors, as well as social, national, ethnic, political and moral-legal conditions” (Sizova, 2008, pp. 202-204).

Foreign economic relations find practical expression in the exchange between countries of goods and services, trade, scientific-technical, production, international relations, movement of the workforce. Potentially, the Russian economy has a number of attractive features for foreign investors, among which one should highlight the capacity of the domestic market, relatively cheap labor, weak competition of entrepreneurs (Smolin & Gornostaeva, 2006). In the context of globalization and Informatization of economy, the policy of import substitution significantly increases the role of foreign economic activity management. No country is able to produce everything in sufficient quantity, at least for reasons of inexpediency. Considering that the range of demands of the population is constantly growing, without a wide and constant exchange between countries, their normal satisfaction is difficult. Foreign economic relations need to be built rationally and with common sense.

2. Problem Statement

The international division of labor and comparative advantages determine the direction of in the production of a particular product (goods and services), allow you to save resources and end up with a richer range of products through trade, that is, to fully utilize the benefits of international exchange.

In terms of participation in these processes, Russia occupies a position inadequate to its geographical location and economic opportunities. In fact, this is due, first of all, to its raw material specialization, which, of course, is inexpedient. In this regard, there is an urgent need to improve the structure of the country's economy, economically literate models and people, which requires additional costs from the state.

It should be noted that the volume of foreign trade operations of Russia in recent years has declined by more than two times (Table 01).

Table 01. Exports and imports of Russia in 2013-2018*

Period	Export from Russia		Import to Russia	
	Total (thousand dollars)	Ratio	Total (thousand dollars)	Ratio
2013	526 000	23,7	315 300	24,1
2014	497 400	22,4	287 100	22
2015	343 500	15,6	182 900	14
2016	280 700	12,6	179 800	13,7
2017	357 800	16,1	227 500	17,4
2018	213 200	9,6	115 700	8,8
Total:	2 218 500	100	1 308 200	100

*Note: Ru-Stat (2018)

Exports from Russia for the period 2013-2018 amounted to 2218.5 billion dollars. There is a decrease in exports by 312 billion dollars, while the share of exports in the “mineral products” group is consistently high – 54.5%; hidden section – 15% and the group "metals and products from them" – 9.1%.

Imports to Russia for the period 2013-2018 amounted to 1308.2 billion dollars. Mainly imported were “machinery, equipment and apparatus” (30.3%), “products of the chemical industry” (11.8%), “transport” (11.5%). In general, a decrease in imports for the specified period of time is also observed.

Today, Russia exports minerals - mainly raw materials (oil and oil products, gas), their share exceeds half of all exported goods (Table 02).

Exports from Russia for 2018 amounted to 40.7 billion dollars, an increase of 7.4% over the same period last year. Imports to Russia for 2018 amounted to 20.4 billion dollars, decreasing by 11.91% compared to the same period last year. The following main groups of products were mainly exported and imported:

Table 02. Main exported and imported goods in 2018*

Group product	Ratio (Export)	Ratio (Import)
Mineral products	48%	2,2%
Hidden partition	18%	3,1%
Base metals and articles of base metal	10%	6,6%
Products of the chemical or allied industries	5%	12,8%
Machinery and mechanical appliances; electrical equipment; sound and television	4%	31,1%
Vegetable products	3%	5,8%
Natural or cultured pearls, precious stones, precious metals; coin	2%	0,3%
Wood and articles of wood	2%	0,4%
Vehicles, aircraft, vessels and associated transport equipment	1%	10%
Plastics and articles thereof; rubber and articles thereof	1%	5,2%
Prepared foodstuffs; beverages; tobacco	1%	4,5%
Textiles and textile articles	0,2%	4,4%
Optical, photographic, measuring and other devices and equipment; clock	3,2%	3,8%

*Note: Ru-Stat (2018)

The growth in exports of the “mineral products” group from December 2017 to December 2018 amounted to 30%, the same growth occurred in the “transport” group – 30%; “Jewels” – 27%, “machinery, equipment and apparatus” – 13%. In general, almost all groups of goods show any significant increase, except for the group “products of plant origin”. In general, the increase in all groups of goods for the year amounted to 7.4%. At the same time, there was a decline in imports of goods by 11.91%.

Such specialization is not typical, and it is undesirable for the economy of a developed state. The structure of the economy directly affects the volume and composition of exports and imports of goods, services and capital. Depending on the level of these factors, the level of depth of the necessary restructuring of the production structure and the structure of foreign economic relations becomes apparent (Rozov, 2005).

When carrying out foreign economic activity, one should take into account its specifics, namely: the international character of relations, territorial distance, the need to use monetary and financial instruments and other aspects.

The constraining factors for the development of foreign economic relations are:

- significant distance sellers from buyers;
- low mobility of resources;
- cross-country differences in requirements for standardization and certification of products;

The reduction of the mobility of these factors is often influenced by government intervention, which has the right to introduce various rules, prohibitions and restrictions in order to protect the domestic economy from the influence of foreign competition.

Any economic national system has the potential for self-development and self-regulation. Russia in this sense has a large production potential, land resources, natural resources and, most importantly, people on whom the future of the country depends. As Fevr (1922) wrote in his time:

There is no urgent need anywhere, but there are opportunities everywhere. And the person is the master of these opportunities, determines how to use them. It is necessary to make the necessary permutations - and the person comes to the fore: the main thing is the person, not the land or the influence of the climate, or the determining conditions of the place. (p. 17)

The advantages of the Russian economy are significantly inferior to the sum of negative factors. A high degree of political instability and an acute shortage of qualified personnel level off a number of the above attractive investment features of the Russian economy and constrain large investors (Dobrodomova & Demidova, 2017).

Trends and structural characteristics of production capacity are particularly significant for economic policy, but in recent years, the utilization rate of production capacity in Russia (in the manufacturing industry) has not been very high (Salnikov, Galimov, Mikheeva, Gnidchenko, & Rybalka, 2017). At present, when determining the indicators of competitiveness of a region, it is customary to focus not only on the availability of efficient industries or its segments, but also on the ability and desire of local authorities to create and maintain competitive advantages in certain areas, by creating favorable conditions for regional enterprises. The authorities should remember and take into account in their decisions the fact that there is a strong correlation not only between the capacity utilization rate and the inflation rate, but also between the utilization rate of the capacities and the intensity of the capacity inputs (Salnikov et al., 2017).

The primary goals and objectives of structural policy are:

- increase of innovation activity and advanced development of high-tech sectors of the economy;
- restructuring inefficient sectors of the economy, stimulating the modernization processes of lagging enterprises;
- technological re-equipment of industrial enterprises and the entire industrial complex;
- ensuring the growth of production of high technology products;
- production of competitive goods, stimulation of import substitution and export orientation of the regional economy (Rabadanova, 2018).

In modern conditions, the expansion of import substitution programs, changing the structure of foreign economic relations is possible only "under the condition of active innovation modernization of most branches of social reproduction, intensification of development processes and introduction of high-tech products into production" (Soloduha & Kharlamova, 2015, p. 51).

When developing a structural policy, it is required:

- first, to isolate those industries and activities that are advisable to develop due to favorable conditions in terms of ensuring the sustainability and competitiveness of the region;
- secondly, to identify a set of measures and instruments of state support to ensure the structural changes necessary in a particular case.

Import-substituting industrial policy is a tool to increase the competitiveness of the national economy and ensure the country's economic security (Ershova & Ershov, 2015), while trade liberalization has a positive effect on export quality and the share of knowledge-intensive industries in its structure (Stojčić, Vojinić, & Aralica, 2018). It is advisable to use the variety of existing directions of assistance of regional and local authorities to entrepreneurship (Malganova, Dohkilgova, & Saralnova, 2018).

3. Research Questions

The subject of the research is the structure of the economy and the structure of foreign economic relations of Russia, the object of the research is the system of management of foreign economic activity.

4. Purpose of the Study

The purpose of the study is to analyze the current level of foreign economic relations of Russia and justify proposals for their improvement on the basis of improving the structure of economic production.

5. Research Methods

As a means of a comprehensive assessment of the nature and structure of foreign economic relations, an analysis of the prerequisites and priorities of the structural policy of the development of the Russian economy, the assessment of investment potentials and attractiveness factors for conducting priority economic activities for the region is used.

The theoretical and methodological basis of the research was the methods of scientific knowledge, such as: theoretical analysis, study and synthesis of scientific literature, periodicals, statistical data, observation, comparison, analysis and synthesis.

6. Findings

It is important to understand that the economic development of the state directly depends on the actions of state bodies of the Russian Federation, which, in turn, determines the policy of foreign economic relations and cooperation with other countries and regions. The use of strict regulations in relation to exports and imports reduces the efficiency and competitiveness of the goods.

Within the framework of foreign economic activity, it is important to create conditions for attracting foreign capital by providing tax and other benefits to foreign investors with the participation of a differentiated industry approach.

The maximum effect will be given by investments in such areas as:

- petrochemical complex;
- agriculture, including food processing and agricultural engineering;
- building;
- wood industry;
- production of consumer goods;
- transport and communication;
- services and treatment.

Stimulating foreign entrepreneurship should begin with the development and introduction of tax credits.

For this you need the following:

- changing the direction of work of existing and newly created enterprises (including joint ventures) by gradually switching from service activities to the implementation of industrial production functions;
- state insurance of export-import operations;
- expansion of scientific and technical cooperation with foreign partners;
- facilitation of forms of access to foreign economic information;
- creation of a center for training, transfer of high technologies and know-how, projects and equipment.

It is advisable to use the cluster concept of development planning of the constituent entities of the Russian Federation as a method of spatial organization of the regional economy. It is advisable to organize territories that are attractive for investment as investment sites in the production structure in the region (Malganova et al., 2018). The principal difference of strategic planning from the traditional in this case is precisely the consideration of the points of view of a significant and diverse circle of stakeholders. Only due to the full capacity utilization, the growth potential of production in the manufacturing industry is estimated to be at least 6–8%. This fact should be recognized by politicians and taken into account in the issue of restructuring domestic production and foreign economic relations of the country (Salnikov et al., 2017).

The basis for using the cluster approach in the development strategy of the Russian Federation and its subjects is that the most significant investment projects at the meso-level, embedded in the general vector of regional development, improving the efficiency and competitiveness of the territory, together with an effective socio-economic policy of local authorities, create a powerful synergistic effect and comprehensively affect the integration of the entire conglomerate of resources (including human, industrial, technical, organizational curious and scientific potential) in the general direction of the boundaries of economic development as a territorial unit, and the economy as a whole (Malganova et al., 2018).

Restructuring of foreign economic activity should be carried out on the basis of territorial planning at the meso and macro level. Initially, the export potential of the region is identified, then solutions are

developed to increase the investment attractiveness, and, accordingly, the organization of investment sites (Malganova et al., 2018).

As part of export regulation, a priority will be given to the direction of priority lending for projects focused on import substitution and export, informational, consulting, marketing and technical assistance to exporters, etc.

7. Conclusion

These prospects and priority directions for the development of entrepreneurship and foreign economic cooperation should be based on a modern scientific and technical basis, which is a necessary condition for increasing labor productivity and improving the quality of products produced. In this regard, the organization of the business sector for the production of new production and technological equipment, the creation and development of the R & D system, information and computer technologies, methods for improving the organization of labor, the introduction of new forms of production management and personnel, both in the public sector and directly in the field of entrepreneurship.

It is the economic interest of self-acting entities, their specialization based on the division of labor that can contribute to the effective economic development of the country and its regions, the process of rapprochement with other countries, which, in turn, will expand opportunities for the development of foreign economic relations and accelerate the internationalization of actors process.

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