Features of conducting foreign economic activity of the Subject of the Federation (on the example of the Vladimir region)

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Abstract. Political and economic events, which have happened in the world, influence the economy of the region and of the country, as a whole. Some Western countries imposed their economic sanctions against our country. Our country took protective response measures. The article provides the analysis of the Vladimir region foreign trade potential under sanctions. A classification of sanctions is suggested, which includes all key instruments of impact on the states and regions. It shows the tendencies and features of generating the world experience of applying sanction policy. There being conducted a complex analysis of the Vladimir region foreign trade activity in the period of 2014-2020; this being the basis for identifying the problems which have occurred as a result of imposing sanctions by the countries of Western Europe and USA. According to the identified issues the areas for the development of Vladimir region foreign trade potential under sanctions are proposed.

1 Introduction

The centuries-old development of the world economic system has led to the globalization of economic processes and close collaboration of the countries on the international arena. Nowadays foreign trade ties are an integral part of international relations. But economic integration results not only in the close relations between the countries, but also in the mutual influence. One of the instruments of the foreign trade influence is economic sanctions.

Imposition of economic sanctions against some definite country is destined to limit or to completely stop commercial and financial relations with this country. In major cases sanctions are imposed as a response when the country infringes the rules of international law and potentially threatens interests of some country or international security. As time goes on, these are economic sanctions which are becoming more and more important as compared to other instruments of foreign policy impact. It can be explained by the fact that
sanctions are a kind of “the golden mean” between the words and the measures of a military character [1].

World political and economic events of the recent time have an ambiguous influence on the economy of the country as a whole, and on the economy of the regions in particular. Some countries imposed economic sanctions against our state, and we took response defensive measures [2].

While the scale of economic losses in Russia (being a result of sanctions) is clear, the influence of sanctions on the RF regions and the scale of losses there requires study [3].

Thus, the study of trends and areas of the regional economy development (Vladimir region as an example) under the sanctions of foreign countries is of great theoretical and practical importance.

2 Materials and methods

When conducting research, we used such methods as analysis (identification of the essential features of the system of sanctions and methods of their use in the country as a whole and in the regions in particular), classification (improves the arrangement of kinds, types and forms of the sanction policy), description (enables to compose a holistic model of the sanction system) and system approach (aimed at identifying specific links between the structural elements of the sanction system).

3 Results

Vladimir region is still associated with the production of the times of the USSR. Nowadays the region policy is aimed at the preservation and further development of the manufactures, which have been the region specialization.

To solve the problem of providing the companies with the agricultural machinery and equipment, the local authorities have to inform the manufacturers of the programs, implemented by the Ministry of agriculture. Since January 1, 2017 agricultural manufacturers can get a short term or investment loan at one of the banks authorized by the Ministry of agriculture; credit rate being not more than 5%. Lost income by the banks is reimbursed from the federal budget at the key rate of Bank of Russia. So far, the program of concessional lending includes 44 banks (JSC “Rosselkhozbank”, Public Stock-Joint Company Sberbank, VTB Bank and others.)

It should be noted that large manufacture needs support as well. The problems of every large agricultural manufacture should be considered individually and contribute to their solution. Two large companies on the territory of Vladimir region can be given as an example. They are Vladimir Tractor Plant and the Centre of selection and genetic analysis “Mortadel”. In the former case, the enterprise was declared bankruptcy, the stuff was reduced and the production was closed. In the latter case the firm is fighting for its existence. For the time being the company has sharply reduced its manufacturing and its staff has been reduced by 250 people. “Mortadel” is engaged in producing and processing meat products. The company products participated in different Russian and international competitions and won. The company has been a large taxpayer in the region. During the crisis the company asked not for a financial assistance but for a possibility to postpone the payment of tax and penalty as a consequence [4-6].

Thus, the example with this firm shows that it is very significant to support the existing production, which provides the image of the region and is of great importance for it.

The price disparity, which has been observed in the agricultural complex for more than a year, must be solved at the state level. This problem is closely connected with the
problem of equipment lack and regulation of prices on agricultural products and products of industrial enterprises;
- state regulation of prices and tariffs of natural monopolies;
- use of grants and compensations for the products of the agricultural sector from federal and regional budgets.

Indirect measures of influence include:
- tax benefits for the industrial enterprises who sell their products to the village;
- provision of leasing equipment;
- formation of the common antimonopoly policy.

Growth of prices on energy resources is another factor which slows down the development of Agro-industrial Complex [7]. As the price increase occurs at the state level, the problem must be solved jointly with the Federal authority, in particular, by giving subsidies for the fuel during the field work period. One of the cheap energy sources is gas, but the problem of gasification has not been solved till now.

In our opinion, Vladimir region has a potential for the development of Agro-industrial Complex and the ability to manufacture competitive products. But in most cases this potential can be realized by federal and regional authorities jointly.

2. Innovations apply to all areas of modern society. The main sources of welfare are innovations and people’s intellectual achievements [8]. In order to manufacture the products being competitive on the international market, it is necessary to develop this very area. Vladimir region has always been the place of scientific activity in agriculture: new varieties of agricultural crops resistant to local conditions have been developed and new breeds of animals have been bred. In the region there is a scientific institute of this field, which needs support of the state. At the state level there was adopted “Federal scientific-technical program of developing agriculture in 2017-2025”. This program is designed to reduce the dependence of agricultural production on import and improve the quality of seeds and planting material [9].

3. As already mentioned, Vladimir region does not possess fuel and power resources. Here there are mineral reserves, which can be used for manufacturing building materials. The dynamics of Vladimir region export shows that a considerable share of export is made up of timber products whose price is much lower than the price of finished [10].

Products. There is a need to create in the region its own manufacture out of timber products. In the conditions of import substitution, when import from foreign countries has reduced, it is worth paying more attention to the production of furniture. Raw material is available in the region, and export of furniture will be more essential than the export of timber [11].

There is also a raw material base for manufacturing fertilizers, being necessary for agriculture. This is sure to increase export.

4. Local authorities should contribute to the development of Vladimir region infrastructure. To make the region attractive for further development, it is very important to maintain transport systems in good condition. A serious attention should be paid to the development of social infrastructure, to the provision of settlements with nursery schools, high schools, hospitals, etc [12]. The availability of the sufficient number of warehouses will contribute to the reduction of expenses when selling finished products. The problem of the lack of qualified personnel, in the authors’ opinion, could be solved by building new chains of continuous learning: a high school – a technical school - a higher school. Under this system, going through each stage, future specialists could gain experience, learn more about the areas they major in, and learn from experts [13]. The system of target set is one of the incentives to teach young people. Due to this system the companies train their future employees. The process of education requires improvement to be of interest to the future graduates.
The second stage is to create a positive working environment. In addition to the wage level, which is a key factor for specialists, it is necessary to pay attention to different incentive measures, such as award for the performed work, career progression, help with the purchase of housing or land plot for building a house [14]. There should be a suitable infrastructure for the specialists’ comfortable stay.

Such measures enable to train and attract stuff to develop the economy in Vladimir region.

The actions considered will make it possible to increase competitiveness of manufactured goods. In the future it will lead to export growth, the reduction of importing agricultural products, which eventually contributes to the increase in foreign trade turnover [15].

Based on the above factors, it is possible to form elements of the mechanism for managing the region's foreign economic activity (fig. 1).

![Fig. 1. Mechanism for managing the foreign economic activity of the region.](image)

The proposed areas of developing Vladimir region foreign trade potential will enable to pursue the policy of import substitution, stimulate export and promote the economic growth under sanctions.

4 Discussion

In recent years the term “sanctions”, having an old origin, has been pronounced more and more often. The concept “sanctions” comes back to the Latin “sanction”, i.e., strictest decree. This term was introduced into the International Law in 1920 when Covenant of the League of Nations was declared.
The concept “economic sanctions” can be interpreted in different ways. For example, chapter 41 of UN Charter has the following interpretation of the term – “measures being not related to the use of forces” which can include “a complete or partial break in economic relations, in railway, sea, air, post, telegraph, radio and other communications and diplomatic break”.

In accordance with Federal law № 281-FZ “About special economic measures”, adopted on December 30, 2006, economic sanctions are defined in the Russian practice of law as “special economic measures”, which “are taken in case of uprising the set of circumstances demanding an urgent reaction to some internationally illegal action, or to an unfriendly act of a foreign country, its state agencies and officials if they constitute a threat to RF interests and security or infringe its human rights and freedoms; the above special measures being consistent with the resolutions of UN Security Council.”

In our opinion the term “sanctions” could be defined as “compulsory actions of finance law against the subject for the infringement or unreasonable accomplishment of financial arrangements which are taken by one or some countries in order to reduce impact and change social-political requirements, financial claims and social demands of another country or category of states”. In other words, sanctions are the right of one or some participants in international relations, who are stronger economically, politically, morally, to impose restrictions on a weaker participant.

In political sense sanctions are rather various: they may be less stringent in the form of warnings and they may be tough in the form of military actions. By implications, all sanctions can be divided into 4 groups [4]:

The first group of sanctions has preventive nature; government officials make public statements, give press-conferences, interviews, etc., aimed at warning their opponents against taking some definite actions and at warning them about the possible consequences.

The second group of sanctions assumes the application of measures having a restrictive nature and concerning a specific group of people, which are taken with the purpose to cause discontent of the specific group. The sanctions of this group imply retaliations which cause economic and political damage to both sides [5].

The third group of sanctions deal with foreign trade relations and have an impact on both sides. There happens a partial or complete rupture of economic relations, a ban on the export of products, services, technologies is imposed.

The fourth group of sanctions includes the actions of violent nature. During the human history many countries resorted to such measures more than once.

5 Conclusions

Having conducted our study, we come to the following conclusions:

Sanctions are measures being of a precautionary and restrictive nature but being able to include military actions against the target country.

Types of sanctions: diplomatic, trade and economic, military, sport and cultural, financial, sanctions for services.

2. Sanctions are successful in 30% of cases. The efficiency of sanctions is decreasing, and this is connected with globalization of the world economy. The country being under sanctions cannot be isolated from the outside world; it quickly finds new partners.

3. The history of imposing sanctions began in 432BC in Ancient Greece. Before the XX century conflicts were resolved by wars. Only after World War I economic sanctions were imposed as a measure to reduce military actions. Sanctions are usually imposed by the developed strong states, and there are different leaders at different times. In XIX century the leader was Great Britain and in XX century it was USA.
4. In 2014, after the events in Ukraine, Western countries imposed their first sanctions against Russia. Under the sanctions were competitive branches of industries: oil-gas industry, the military-industrial complex, nuclear energy, aerospace, banking.

Russia took retaliatory actions. Embargo, imposed by Russia, included US, Australia, Canada, Norway and EU countries.

5. Vladimir region has an advantageous geographical position, good transport and infrastructure systems. The traditional manufactures here use the resources available in the region. Among them are glass industry, chemical industry, machine building and other. Vladimir region is rather attractive for investments.

6. Foreign trade turnover of Vladimir region decreased after the sanctions imposed against Russia in 2014. Since then Vladimir region has managed to find other channels of selling manufactured goods, but the level of 2014 has not been achieved. The countries of CIS and Asia have become the main trade partners. It is worth mentioning China which takes a significant share in the import of goods to Vladimir region.

Export of plastic, timber, plywood, glass and pharmaceuticals has achieved the level of 2014 and even surpassed this level.

Great attention is paid now to the development of agriculture, especially to the animal breeding. In this area Vladimir region has a big potential for the development as part of import substitution.

7. The performed analysis allows to make a conclusion that Vladimir region is able to produce goods and services of high quality, which can be exported. At the same time, it is necessary to expand existing production in order to reduce the import of agricultural products. To reach the goal one must solve a number of problems which have become more urgent since the imposition of sanctions.

The following problems are considered to be the main ones in Vladimir region:
1) the problems connected with implementing the policy of import substitution;
2) underdeveloped innovative development of the region;
3) low cost of raw materials;
4) insufficient level of infrastructure development;
5) personnel problem.

The major areas for developing the foreign trade potential of Vladimir region are:
1) Integrated development of agro-industrial complex.
   It will enable to manufacture the products of high quality to meet own requirements which will lead to the reduction of the import of agricultural products.
2) Development of scientific activities in agriculture.
   This will provide the branch of agriculture with more stable varieties of agricultural crops and productive breeds of agricultural animals.
3) Creation of own production out of the available raw material will result in increasing the export of manufactured goods which is more favorable.
4) Provision of the region with warehouses will enable to reduce the expenses on manufacturing.
5) For attracting young specialists and providing the branches of economy with the staff it is necessary to build the chains of lifelong learning: school-technical school-higher school.

Thus, sanctions from the West and retaliatory measures from Russia has ambiguous influence on the economy of Vladimir region. The region has a significant potential and actual opportunities for the stable development of economy.

References

1. I.A. Aksenov, Siberian J. Of Life Scie. And Agric. 13(5), 146-166 (2021)