Foreign policy in the context of modern geopolitics and its impact on the work of transnational companies in Russia

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Abstract. The purpose of the present research paper is to make a comprehensive analysis of the Russian foreign policy activities in terms of potential risks and possible consequences of termination, suspension of transnational companies’ activities for the Russian economy. The foreign policy of the Russian Federation makes it possible to set due priorities, define proper formats and set the course for the entire foreign policy of the state, which undoubtedly requires proper organisational and legal institutionalisation. This is why exploring the operation of transnational companies in Russia is extremely important in the current geopolitical environment which is presently being formed with a focus on the sanctions-related pressure against our state on the part of unfriendly countries. The present essay considers the statistical data on foreign multinationals that have left Russia and the measures taken by the Russian government towards adaptation and designing a due economic policy course in the conditions of market economy. The research brought the authors to a substantiated conclusion that foreign policy activities are directly and closely connected with the work of transnational corporations; therefore, the competent internal policy of the Russian Federation will enable the society and corporate entities to adapt to the new realities and to pursue the desired foreign policy activities in the country’s interests, avoiding pressure from unfriendly countries.

1 Introduction

The open confrontation of states that began in 2022 on the international arena in the conditions of military and ideological confrontation of interests of Western countries and the Russian Federation, engendered by our country’s special military operation in Ukraine, has led to a number of economic consequences both for Russia and for the entire world community [1]. Last spring, the national economy faced severe sanctions pressure from the world’s leading states (the USA, European Union member states, Japan, the UK and a number of others) [2], considering that our state has been politically and economically influenced since 2014 due to the accession of the Crimean peninsula to Russia. However, it is the special military operation launched by our country on the territory of Ukraine that led
to strengthened restrictive measures by a number of unfriendly states [3]; the scale and number of such sanctions in the past year exceeded the number of restrictions registered in all previous years. In this regard, in March 2022, the Russian Federation was recognised to be a leader among all world countries in the number of sanctions imposed by the international community against individuals and legal entities [4].

According to the statistics of the Russian multimedia company RBC [RosBusinessConsulting], by the beginning of the last year-September, 7% of transnational companies had left Russia completely; 15% of corporations quit the market with transfer of their rights to Russian owners (for instance, the famous fast food restaurant chain McDonald’s is now open under the name “Vkusno i Tochka” [Just Delicious]); one third of all foreign companies (34%) curtailed their activities in our country [5]. The above underlines the relevance of the comprehensive analysis of the state’s foreign policy on the international arena in the current geopolitical situation and its impact on the work of transnational corporations in the Russian Federation. It should be emphasised that the need for such analysis is accounted for by the new round of confrontation with Western countries, which, in particular, concerns the unfriendly countries in the context of the special operation in Ukraine [6]; the transition to settlements in the national currency of Russia with unfriendly countries; the withdrawal of the said companies from our country or curtailment of their activities.

The scholarly research into the raised issue (analysis of the impact of Russian foreign policy on the operation of transnational companies) was not deemed as relevant by academic researchers in the last few years (until spring 2022), despite the outflow of foreign capital investment in 2014-2015 [7]; however, starting from the last year, significant changes have taken place in the work of the transnational companies in connection with the changed geopolitical situation in our country, which once again emphasises the significance of the issue raised in the present scientific research.

In turn, transnational companies play a special role on the international arena and represent key actors of the global economy, since their financial turnover amounts to more than one and a half trillion dollars [8]. At the same time, it is important to note that these corporations form the “intellectual capital” since they are primary developers of major patents, licenses, information-related and digital achievements, thus enabling the state to strengthen its foreign economic relations as well as its financial activity and industrial production.

Thus, it is the state foreign policy that has a direct impact on establishment, development or cessation of international relations. The thing is that the response to the impact of foreign policy factors has a non-regulatory nature (i.e. it is quite difficult to predict the events on the international arena or countries’ reaction) – which does not negate the toolbox needed for the realisation of modern foreign policy measures by the Russian Federation on the international arena. In this regard, the present research highlights the relevance of the raised problem – study of foreign policy activities of the state and its impact on the functioning transnational companies in our country within the framework of the ongoing geopolitical processes and events.

2 Materials and methods

The process of work over this article involved the use of general theoretical methods: analysis, synthesis, statement of the hypothesis and a number of others. In addition, special methods of legal science were used, namely: comparative legal analysis, that was applied when considering the work of transnational companies in the Russian Federation prior to the special military operation on the territory of Ukraine and after its launch, as well as the
legal hermeneutics method which makes it possible to analyse the legal interpretation of regulatory and legal acts.

3 Results

The national economy has a number of distinctive characteristics that are caused by the historical heritage of the USSR. In particular, modern market relations have some retrospective character reminding of the Soviet command-administrative system (for instance, the privatisation process is not yet completed [9]). However, it is the modern geopolitical processes – in particular, this concerns Russia’s special military operation in Ukraine – that caused the breach in relations between our country and unfriendly states (the USA, the UK, west European and other states) [1]. Subsequently, the Russian Federation economy suffers severe pressure on the entire financial system, facing mass withdrawal of transnational companies and blockage of exports by foreign countries [10]. The above reasons have become interdependent, showing direct causal relationship between foreign policy activities of the state and the operation of transnational corporations. The research shows that the economy of our state is trying to get adapted and adjusted to the new conditions as quickly as possible, without allowing our country to be dragged into an economic crisis.

It is the transnational companies that act as an international retailer playing a key role in the organisation of economic relations at a global level. Branding, in particular, plays a fundamental role here, since such corporations are focused on creating a positive image in their activities; they care about consumers’ attitude to their product, using various methods of marketing strategies; they also actively develop corporate social responsibility (for instance, support of environmental protection campaigns). In this context, the article has analysed the statistics covering the foreign transnational companies’ withdrawal from the Russian market, presenting the findings in the form of diagrams. In the first place, the authors studied the countries that withdrew their subsidiaries from the Russian market, visually demonstrating this in Fig. 1, with the statistics as of the end of October 2022 [5].

![Fig. 1. Statistics on transnational companies that left Russia [5].](image)

The statistical data presented in Fig. 1 show in the aggregate the number of multinational corporations that have quit the Russian market – 8.5% [5]. This amount casts doubt on the willingness of the bulk of foreign companies to leave the Russian market. This can be confirmed by the opinion of Swiss economists S. Evenett and N. Pisani who noted in their study of January 2023 that it is feasible to “get separated from the economies that are deemed by the government to be geopolitical rivals” [11].
Further on, it is necessary to draw up a list of industries/sectors represented by the transnational companies and countries that have completely withdrawn from the Russian market according to the statistic summaries of Yale University: industry, information technologies, finance, consumer goods and a number of other sectors [12]. A more detailed analysis of foreign companies that have left the Russian market is presented in Fig. 2.

**Companies pulling out of Russia**

Number of companies that have totally halted their activities in Russia, by country and sector

![Companies pulling out of Russia](source: Yale School of Management, as of July 19)

**Fig. 2.** Companies that have completely left the Russian market [8].

The illustrative study by Yale University does not fully reflect the reliable information, since their study was completed in July 2022; it does not take into account that by February 2023 many well-known foreign multinationals returned to Russia in a new guise. In support of the above statement, below is a comparative table for some companies functioning in the Russian national market again (Table 1) [13].

**Table 1.** Comparative table of foreign multinationals that have returned to Russia in a new guise [13].

<table>
<thead>
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<th>Multinational company brand withdrawn from Russia</th>
<th>Renewed brand of the foreign multinational</th>
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<td>American fast food chain “McDonald’s”</td>
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<td>Polish clothing manufacturer LPP</td>
<td>Renewed Polish clothing brand taken over by “Far East Services – FZCO”, a UAE-registered company (the Polish manufacturer retained a 5% stake)</td>
</tr>
<tr>
<td>American sportswear and athletic footwear manufacturer “Reebok”</td>
<td>The renewed sportswear brand is now run by a Turkish holding company “FLO Retailing”</td>
</tr>
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Thus, the West Europe and US sanctions, along with the retaliatory sanctions of the Russian Federation, have already had a negative impact on our country’s economy. At the same time, this has also had a very strong impact on the counteractants’ economy, expressed in inflation, shortage of raw materials, fuel and energy. This makes the world think and contemplate over the gravity of the current geopolitical situation, since one can already talk of the sad prospects of stagnation and recession in the unfriendly countries. However, today Russia is trying to benefit as much as possible from the factual geopolitical processes, renewing the brand-name international transnational corporations and organising their operation, thus avoiding the rise in unemployment and decline in people's income. This will make it possible to ramp up the state budget as well as regional and local budgets. However, this would be unprofitable for foreign transnational corporations that were forced to withdraw their production from the Russian market.

4 Discussion

Today, the Russian Federation continues to be in a rather difficult position on the international arena, trying to withstand the punch of political and economic pressure (sanctions) by the unfriendly states. Therefore, the approach allowing the transnational corporations to get renewed and remain in the Russian market under new brands is quite competent and will presumably allow the Russian society to overcome the current geopolitical situation. The authors of the present paper believe that this opportunity to leave the multinationals’ production within our country will allow the society to adapt to the current circumstances as quickly as possible. Retaining jobs and the achieved production volume, the country will adapt, and the national economy will subsequently be able to rise to a new, higher-quality level.

Undoubtedly, the current geopolitical situation and the new economic and political realities have affected every Russian citizen and every organisation; still the same factors have affected the operation of the established well-developed transnational corporations from unfriendly countries that used to operate for over 30 years in the market [6] – they
also need to take a set of measures to adapt their companies to the foreign policy of their states and that of the Russian Federation.

5 Conclusion

Summarising the findings of the research on foreign policy and its impact on the work of multinational corporations, the authors propose the following valid conclusions:

- the Russian Federation pursues active foreign policy on the international arena in the interests of its population; this activity causes strong resentment on the part of unfriendly states;
- the sanctions pressure of the unfriendly countries made 8.5% of the transnational companies leave the Russian market;
- some of the multinationals that had left Russia have returned to the Russian market in a revised form and continue to operate successfully today;
- the renewal and return of the breakaway corporations to the Russian market has made it possible to avoid rise in unemployment and reduction of income of the Russian population, but caused financial losses for foreign organisations which had been forced to withdraw their production from our country;
- the study proved that Russia is making every effort to get adapted to the current geopolitical conditions by letting the multinationals who quit to return to the national market in a renewed form.

Thus, the research confirmed that the Russian foreign policy is directly and closely connected with the work of multinational corporations whose activities are not limited to a single state. At the same time, a rational solution for the employees who lost their job in connection with the multinationals’ withdrawal can be represented by retraining and professional development. This measure can be supported by the state, for instance through subsiding, through retraining programmes run on online platforms (such as Yandex, etc.), through financial support from the state and a number of other measures. The competent internal policy of the Russian Federation will allow the society and the corporate entities to adapt to the new realities and to pursue foreign policy in their own interests, avoiding pressure on the part of unfriendly countries.

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