

Development of the Foreign Economic Ties and International Relations in the Region: Case of the Sverdlovsk Region

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Abstract. This article analyzes the current problems and promising directions of development in the field of foreign economic relations and international cooperation of the Sverdlovsk region. As a result of the analysis of normative legal acts, statistical analysis of data from open sources on the activities of the Ministry of international and foreign economic relations of the Sverdlovsk region, the authors propose a systematization of the problematic aspects of the implementation of state regional policy in the field of foreign economic relations and international cooperation. The authors have developed a system of measures aimed at improving the quality of implementation of the state regional policy in the analyzed area.

1. Introduction

Modern geopolitics requires an analysis of the current situation in the field of international activity. In this regard, it's important to study the public administration system in the subject of the Russian Federation for the coordination of foreign economic relations and international cooperation. The relevance of the research topic is due to the fact that the existence of a successful subject of the Russian Federation in modern conditions is impossible without the development of foreign economic relations and international cooperation with foreign countries of the world.

1.1. Literature review

«Foreign economic relations are international trade and political relations, providing for the exchange of goods, specialization and production cooperation, scientific and technical cooperation, economic and technical assistance, the creation of joint ventures and other forms of economic cooperation»

[1]. Foreign economic relations of the state are elements of the world economy and international economic relations. The foreign economic sector of the economy is an indicator showing the degree of involvement in the world division of labor and an indicator of the economic development of an individual economic complex [2].

«International cooperation is the interaction between states and other subjects of international law, carried out by them for a joint coordinated solution of issues in a particular sphere of public relations» [3]. International cooperation has the correlation of diplomacy, the conclusion of alliances and agreements providing for the coordination of political courses to achieve the joint goal of the two cooperating parties.

The foreign economic relations and on the basis of them is international cooperation have a common impact on the socio-economic and socio-political status in the state.

1.2. Research Questions and Task

The problematic situation of the study is the regular changes in the conditions of the external market conditions, which are compared against the interests of the subject of the Russian Federation and counteracts foreign economic relations and international cooperation.

The purpose of this article is to identify problems and develop measures to improve foreign economic relations and international cooperation of the Sverdlovsk region.

2. Empirical research and results

2.1. Data and methods

The systematic approach is a methodological basis of this study. Authors used such applied methods as: the method of theoretical analysis of literature, analysis of regulatory legal acts, analysis of statistical data, a sociological questionnaire survey of residents of the Sverdlovsk region, expert interviews. The empirical basis of the study is: statistics from the Ministry of International and Foreign Economic Relations of the Sverdlovsk Region (from open sources), characterizing the level of development of foreign economic relations and international cooperation of the Sverdlovsk Region.

2.2. Results and discussion

Let us compare the budget expenditures for the implementation of the state program “Development of international and foreign economic relations of the Sverdlovsk region until 2024” in the periods 2014–2018 which are indicated in table 1.

Table 1. Budget expenditures of the Sverdlovsk region on the state program in the periods 2014 – 2018.

Period	Total budget expenses (billion rubles)	Program implementation costs, (billion rubles)	% of total expenses	Growth rate
2014	188,72	9,38	4,97	–
2015	200,26	8,39	4,19	Less than 0,78 %; Less by 0,99 billion rubles
2016	205,51	7,19	3,50	Less than 0,69 %; Less by 1,20 billion rubles
2017	199,41	7,40	3,71	More than 0,21 %; Less by 0,21 billion rubles
2018	237,01	8,84	3,73	More than 0,02%; Less by 1,44 billion rubles

Starting from 2014, a gradual weather decrease in expenditures for the implementation of the program takes place until 2017. In the years under review, revenues decreased by 2,19 million rubles; by 1, 26% there was a redistribution of budget spending on the program. In 2018 expenses begin to increase by 0,2%. Next, we consider the structure of exports and imports of the Sverdlovsk region. “The basis of export are: metals and products; equipment; chemical products; wood; mineral products; food. The basis of imports are: equipment; chemical products; metals and products; mineral products; food; textiles”[4]. Let us compare the ratio of export components as a percentage of the total volume in the Sverdlovsk region for 2015 - 2018 in table 2.

Table 2. The structure of exports of the Sverdlovsk region in the periods 2015 – 2018.

Section name	2015	2016	2017	2018
Metals and Products	47,8%	45,4%	56,2%	51%
Equipment, machines	14,5%	25,8%	14,5%	24%
Chemical products	26,0%	16,6%	14,77%	13%
Wood	2,2%	2,2%	2,5%	5%
Mineral products	2,3%	2,6%	2,8%	3%
Food	–	1,0%	1,3%	1%
Other products	7,1%	6,3%	6,7%	3%

As can be seen from the given industry structure of exports, the Sverdlovsk region is increasing export volumes for wood, equipment and mineral products. Metals are the dominant export item. Chemical exports are declining. Let us compare the ratio of import components as a percentage of the total volume in the Sverdlovsk region for 2015 - 2018 in table 3 [5].

Table 3. The structure of imports of the Sverdlovsk region in the periods 2015 – 2018.

Section name	2015	2016	2017	2018
Equipment, machines	51,5%	36,1%	36,6%	37%
Chemical products	22,1%	18,0%	18,3%	14%
Metals and Products	11,1%	20,3%	20,6%	23%
Mineral products	1,7%	11,9%	12,0%	15%
Food	7,0%	5,3%	5,4%	3%
Textile	2,5%	2,6%	2,7%	3%
Other products	4,2%	4,4%	4,5%	5%

As can be seen from the above import structure, the Sverdlovsk Region has been increasing in recent years in metals, minerals, food, textiles, and other products. Imports of equipment and chemical products decreased in 2016 by 2015, in 2017 increased by 0.5%, in 2018 by 0.4% [6].

Sverdlovsk region is traditionally considered as a region with an old industrial orientation. The presence of a high share of material and energy-intensive metal products, depreciation of equipment at industrial enterprises clearly forces the region to increase the share of equipment imports, since such equipment is not produced in the Sverdlovsk Region.

Next, we consider the foreign trade turnover of the Sverdlovsk region in 2015 - 2018 The main indicators characterizing the cost volume of foreign trade of the region in the specified period are shown in table 4 [7].

As can be seen from the data presented, the Sverdlovsk region is an export-oriented region, given the excess of exports over imports from year to year. In 2017 and 2018 there has been an increase in trade with foreign partners after the decline in 2016 [8]. The decline in exports is due to a decrease in the supply of engineering and chemical products. Import growth was due to an increase in the supply of metals and metal products, as well as engineering products.

Table 4. Foreign trade turnover of the Sverdlovsk region in the periods 2015 – 2018.

Indicator (millions of US dollars)	2015	2016	Comparison by 2015, %.	2017	Comparison to 2016, %.	2018	Comparis on to 2017, %.
Turnover	10386,7	9668,5	-9,3%	10626,0	+9,9%	13027,0	+ 23%
Export	7325,7	7116,4	-9,7%	6923,0	-2,7%	8557,0	+ 21%
Import	3060,9	2552,1	-8,3%	3703,0	+45,1%	4509,0	+ 24%
Balance	4264,8	4564,4	+10,7%	3220,0	-29,5%	4048,0	+ 27%

Next, we consider the geography of foreign economic relations of the Sverdlovsk region. Enterprises and organizations maintained foreign economic relations: in 2016 with 135 countries; in 2017 with 141 countries, in 2018 with 159 countries. We single out the top ten countries - the main trading partners of the Sverdlovsk region in table 5 [9].

Table 5. Foreign economic relations of the Sverdlovsk region in the periods 2016 – 2018.

№	Countries	Turnover in 2016 (billions of US dollars)	Share (%) 2016	Turnover in 2017 (billions of US dollars)	Share (%) 2017	Turnover in 2018 (billions of US dollars)	Share (%) 2018
	Total	9,668	100	10,626	100	13,027	100
1	USA	1,79	18,55	1,42	14,73	1,60	12,30
2	France	0,38	3,89	0,31	2,99	0,35	4,30
3	Kazakhstan	0,53	5,50	0,93	9,63	1,33	10,20
4	China	0,88	9,09	0,72	7,51	2,1	16,10
5	Netherlands	0,76	7,89	0,50	5,18	0,23	2,30
6	Greece	0,02	0,23	0,48	5,07	0,51	4,86
7	Germany	0,68	7,01	0,46	4,97	0,81	5,00
8	India	0,19	1,97	0,26	2,78	0,23	2,80
9	Czech	0,20	2,06	0,25	2,59	0,37	2,10
10	Italy	0,36	3,71	0,22	2,36	0,26	2,06

So, “a leader in trade and economic relations of the Sverdlovsk region in 2016-2017 was the United States. The trade turnover with this country remains almost stable (about 1.5 billion US dollars), more than 85% of which is exported (mainly metals and chemical products). In 2018 the championship passed to China” [10].

Next, we consider the quantitative indicators of official events held in the Sverdlovsk region and the visits of the delegation of the Sverdlovsk region to foreign countries in table 6 [11].

Based on the amounts of joint activities carried out, it can be argued about the interest of foreign partners in the Sverdlovsk region, despite changes in the foreign policy environment. Conducting international exhibition events (Expo Build Russia, INNOPROM, etc.), socio-economic forums and forums for interregional cooperation contribute to the change in indicators.

In the framework of international events and official visits, an accompanying phenomenon is the conclusion of agreements on trade, economic, cultural, scientific, technical, sports and humanitarian cooperation as well as twinning relations. As of July 1, 2019, the Sverdlovsk Region concluded 33 agreements with 22 foreign countries, which is the 3rd place among the subjects of the Russian Federation.

Table 6. International cooperation of the Sverdlovsk region in the periods 2015 – 2018.

№	Section name	2015	2016	2017	2018
1	International events with the participation of foreign states in the Sverdlovsk region	190	192	197	172
2	Reception of foreign delegations in the Sverdlovsk region	82	119	117	26
3	Visits of the delegation of the Sverdlovsk region to foreign countries	14	18	15	38

3. Conclusion

Thus, the conducted comparative ratios indicate a fairly developed level of the Sverdlovsk region in the field of foreign economic relations and international cooperation, and the contribution of the Ministry to these areas. At the same time on the basis of the theoretical and legal analysis, it is possible to identify the main problems in the field of foreign economic relations and international cooperation of the Sverdlovsk region:

1. Currently, there are *no methodological recommendations* for the constituent entities of the Russian Federation on regulating the procedure for negotiating, concluding and registering agreements with a foreign party taking into account the exercise of powers of the authorities of the constituent entities of the Russian Federation in these areas. The decision will be to amend the Decree of the Government of the Russian Federation dated June 05, 2008 No. 437 “On the Ministry of Economic Development of the Russian Federation” with regard to the expansion of powers in the field of supervising the external relations of the constituent entities of the Russian Federation in the following edition: Development of methodological recommendations for the constituent entities of the Russian Federation on regulation of the procedure for maintaining negotiations, conclusion and registration of agreements of state authorities of the constituent entities of the Russian Federation on the implementation of international and foreign economic relations”. After making the appropriate changes to the Decree of the Government of the Russian Federation, the Ministry of Economic Development of the Russian Federation will be obliged to develop guidelines for the constituent entities of the Russian Federation.

2. *The impact of sanctions on the foreign trade of the Sverdlovsk region.* The enterprises of the military-industrial complex of the Sverdlovsk region are affected by restrictions on foreign trade of the Sverdlovsk region. There were some enterprises under the specified sanctions as Uralvagonzavod, Novator, Peleng, Machine-Building Plant named after Kalinin, "Vector".

These restrictions (sanctions) have been carried out by the United States against the Russian Federation since 2014 which are aimed at destabilizing the economic and political side of the Russian Federation. This conclusion is confirmed by the results of a sociological survey: 82% of the numbers of respondents say that the sanctions policy of the US and the EU had an impact on the sphere of foreign economic relations and international cooperation of the Sverdlovsk region. The authors of the article do not consider the decision to remove restrictive measures because of the competence of both the Russian Federation and the region in this matter. In this case, the solution will be to search for new trading partners for the export of products of the enterprises of the military-industrial complex of the Sverdlovsk region, which previously were the countries of the USA and the EU. As a way to solve the problem, it is proposed to amend the indicators of the state program “Development of international and foreign economic relations of the Sverdlovsk region until 2024”, taking into account the export indicators of sanctioned products and their focus on countries that were not previously export oriented. Given the experience of the PRC in measures to limit foreign trade, government support for enterprises can be a way to reduce losses in the inability to sell products. Cooperation between the Sverdlovsk region and the PRC is most promising due to the high growth rates of the PRC economy.

The statement is confirmed by Chinese President Xi Jinping, responding to an interview with “Rossiyskaya Gazeta” in June 2019 before attending the 23rd St. Petersburg International Economic Forum that Russia and China fruitfully continue to cooperate with each other.

3. *Reduction of budget expenditures for the implementation of the state program “Development of international and foreign economic relations of the Sverdlovsk region until 2024”*. There is a tendency to reduce budget expenditures for the implementation of the state program “Development of international and foreign economic relations of the Sverdlovsk region until 2024”. During 2014 - 2016 implementation costs decreased by 3663.4 thousand rubles, or by 1, 24%. Given the strategic importance on the results of the program, this influence may later be underestimated and will affect the performance of the targets.

In this case, the decision will be to send an official document of the Ministry of International and Foreign Economic Relations of the Sverdlovsk Region to the Ministry of Finance of the Sverdlovsk Region or to hold a meeting between representatives of these ministries on the possibility of regulating the stability of financing the state program. Taking into account the experience of financing state programs and their impact on successful development in foreign countries (such as the USA, New Zealand, Australia, the Netherlands, Great Britain, Sweden, France and Germany), the implementation costs do not decrease from year to year after the stability of financing has been adjusted.

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