

Interregional and foreign economic relations’ development in the Republic of Kalmykia

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Abstract — Foreign trade is considered one of the multifactorial conditions of economic development, including the increase of investment attractiveness of the region, and ultimately — the most important article of the budget replenishment. At the same time, foreign economic activity in the Republic of Kalmykia, although it is not a leading sector, can nevertheless become one, having significant prerequisites for this. Foreign economic cooperation of the region can and should create favorable conditions for the achievement of common strategic goals.

International relations between the constituent entities of the Russian Federation contribute to the development of the regions themselves and to developing trust in the relations of the Russian Federation with foreign countries, promoting its integration into the world economy.

Keywords — *foreign economic activity, foreign trade, interregional cooperation, export, import, Republic of Kalmykia*

I. INTRODUCTION

International relations between the constituent entities of the Russian Federation contribute to the development of the regions themselves and to developing trust in the relations of the Russian Federation with foreign countries, promoting its integration into the world economy.

The theoretical and methodological basis was the fundamental works of economic science, as well as classical scientific works and modern research of Russian and foreign scientists.

Purpose of the study. Analysis of contemporary regional characteristics of inter-regional cooperation and external economic activities; formulation of the priorities in their long-term development.

Tasks:

- To identify the problems of foreign economic activity and interregional cooperation in the Republic of Kalmykia;
- To formulate priority directions of foreign economic activity development and interregional cooperation in the Republic of Kalmykia.

II. MATERIALS AND METHODS (MODEL)

The methodology of the paper is based on the use of such methods as factor analysis, system analysis, sensitivity analysis, expert assessments, etc. Information and analytical materials obtained in the preparation of this paper are summarized and structured in accordance with the general requirements for the development of scientific and methodological foundations according to the topic of the research. This study is a methodological analysis of the existing trends in the development of foreign economic and interregional relations of the region.

While writing the paper the authors used the information provided by the Ministry of Economy and Trade of the Republic of Kalmykia, the Ministry of Agriculture of the Republic of Kalmykia and the statistical data of the Statistical service of state statistics of Astrakhan region and the Republic of Kalmykia.

III. RESULTS AND DISCUSSION

According to the degree of activity of foreign economic relations in the Southern Federal Okrug (the share of exports, the volume of foreign trade turnover, attracting foreign investment), the Republic of Kalmykia belongs to the group with a low degree of activity.

Foreign trade turnover of the Republic of Kalmykia continued to decline since 2012 (\$54 million), reaching 475.2 thousand dollars in 2017. The volume of exports of goods and services also shows a negative trend down to 449.4 thousand dollars by the end of 2017[1].

Foreign trade turnover of the Republic of Kalmykia for 2012-2017, mainly due to a sharp decline in imports, fell sharply from \$ 53.3 million in 2012 to zero in 2017

The dynamics of the ratio of exports and imports shows that there is a negative trade balance, i.e. the Republic does not actually "earn" on foreign trade.

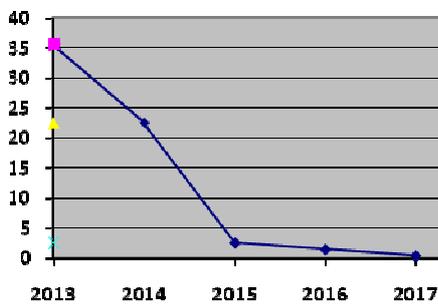


Fig.1. Dynamics of foreign trade turnover of the Republic of Kalmykia for the period 2012-2017

The following product groups are present in the export of the Republic of Kalmykia for 2012-2017: chemical, engineering, food, lighting equipment.

TABLE 1. Export volumes for the period 2012-2017

Name	2012	2013	2014	2015	2016	2017
Chemical products	48%			1,7%		-
Engineering products	47%	72,9 %	0,4%	51,5%	28,1%	-
Food products, agricultural raw materials for their production	4,1%	2,9%	11,1 %	19,5%	71,9%	-
Wool	-		-	0,1%	-	-
Textiles and textile products, footwear	0,1%	0,1%	-	-	-	-
Lighting equipment	-	88,5 %	-	-	-	-
Metals and goods thereof	-		-	27,2%	-	-

However, food production, which peaked in 2013 (27 %) is also essential for our Republic. This includes small amounts of agricultural products (meat, wool, livestock). In 2012, wool was exported in small volumes - 1.2 thousand US dollars. In 2013, food products (live sheep supplied to Armenia, cattle

supplied to Azerbaijan, cattle meat - to South Ossetia). Small amounts of wool were exported - 1,0 thousand US dollars. In 2014, food products (11,1%) were presented with cattle supplied to Azerbaijan, sheep to Armenia, cattle meat to South Ossetia. In 2016, food products and agricultural raw materials for their production amounted to 18.2% [2].

Export of agricultural products is irregular, has small volumes, "narrow" geography. In previous years, wool was exported to 14 countries, including China and Germany. The problem is in a poorly organized system of promotion of agricultural products (especially wool), in which producers do not receive foreign exchange earnings and as a result do not show interest in exports.

It is necessary to consider oil and oil products as an actually lost group of export production. While 'Kalmneft' company was operating, they accounted for 70-80 % of the total exports of the Republic and were carried out in Italy [3].

Thus, the small export figures are explained by the fact that the enterprises of the Republic of Kalmykia are focused on the domestic market, as well as by the lack of large production capacities in the manufacturing industry of the region, which could significantly increase the share of manufacturing in exports and change the structure of exports in the forecast period.

Commodity structure of imports was formed mainly under influence of investor queries — housing construction, creation of industrial and infrastructure projects.

Imports from the CIS countries are represented by goods classified as "other", food products and raw materials for their production, engineering products. In 2016, the import of these groups of goods is projected at the level of 2015, due to the situation in 2014 (a sharp decline in the volume of supplies of the above mentioned products, due to the internal Ukrainian crisis, which led to the suspension of interaction between the region and Ukrainian partners - the largest trading partner of the region among the CIS countries).

TABLE 2. Import volumes for the period 2012-2017

Name	2012	2013	2014	2015	2016	2017
Chemical products	43%	11,5 %	13,1%	32,3 %	-	
Engineering products	40%	49,8 %	35%	16,9 %	15,2 %	-
Food products, agricultural raw materials for their production	7%	18,4 %	12,4%	-	-	-
Wool	-	-	-	-	-	-
Textiles and textile products, footwear	8%	14,8 %	34,2%	44,5 %	-	-
Lighting equipment	-	-	-	-	-	-
Metals and goods thereof	3%	5,1 %	4%	-	-	-
Wood and pulp - paper products	-	0,2%	0,5%	-	72,6 %	-
Mineral products	-	0,02%	0,5%	-	-	-
Other	-	-	-	5,6%	9,1 %	-

In recent years, the situation is explained by both sanctions imposed on Russia and the Russian response influencing the economy development as well as by these products being substituted with domestic goods following the import substitution politics.

In the development of interregional trade and economic cooperation, the main strategic direction is the promotion of Kalmyk products to the markets of the Southern Federal Okrug, and the increasing of food products and semi-finished products, building materials, and agricultural raw materials' supply.

In recent years, interregional economic relations of the Republic with neighboring regions have been strengthened. The leadership of the Republic of Kalmykia currently has several agreements with the regions of the Southern Federal Okrug. There was a slight increase in interregional supplies, which contributed to Kalmyk producers' filling the market niches vacated after a sharp rise in the cost of imports, which led to an increase in demand for domestic consumer goods.

The Republic of Kalmykia is consistently strengthening interregional ties.

The domestic market of the Republic of Kalmykia is currently saturated mainly by supplies from neighboring regions of the okrug. Large economic entities, as a rule, have contracts for the supply of meat to meat processing plants in neighboring regions.

Currently, it is also planned to intensify the participation of the Republic as a subject of the Russian Federation in international exhibitions, forums and international organizations (for example, the II International forum of journalists "National press today", the visiting session of the St. Petersburg international economic forum) in order to effectively integrate the region into the world economic system.

The strategic goal of the interregional and international cooperation development of the Republic of Kalmykia is to attract high-quality capital, financial, material-technical, managerial, entrepreneurial and other resources to promote economic growth, efficient use of the existing resource and labor potential of the Republic of Kalmykia, as well as to improve the internal and external competitiveness of regional business.

The priority areas of interregional and foreign economic cooperation are:

1. Ensuring the growth of trade turnover in the Republic of Kalmykia with the regions of Russia and with foreign countries along with the qualitative development of its commodity and geographical structure, the growth of the volume and quality of services' exports.
2. Ensuring sustainable growth of direct investment from the Russian regions and from abroad into the industry and projects of the Republic of Kalmykia, defined as a priority.

3. Improving the effectiveness of regional authorities' activities aimed at the development of interregional and international cooperation, and increasing the efficiency of the budgetary funds' use for these purposes.

The objectives of the interregional and foreign economic cooperation development are:

1.Reduction of financial costs of companies entering foreign markets:

- support to exporters of the region in attracting state financial support.

2. Creation of favorable conditions for export activities in the Republic of Kalmykia:

- monitoring barriers which prevent export development of regional enterprises;
- holding seminars with the participation of Federal authorities' representatives on overcoming the barriers;
- provision of consulting assistance to exporters on completion of reporting documents and submission of reporting export documentation to regulatory authorities;

3.Development of export promotion system:

- formation of export cooperatives to build a single chain from production to sales of agricultural products and products of the fish processing industry with access to international markets; optimization of material and technical base, transportation and promotion (cost reduction due to specialization in the specific functions of the cooperative members);
- exporting products through global e-commerce channels;
- promotion of participation of export-oriented enterprises of the Republic of Kalmykia in interregional and international exhibition and fair events in order to promote regional products for export;
- maintaining a register of export-oriented enterprises according to stages of readiness for export activities and placing information on export enterprises of the Republic of Kalmykia on a unified portal.

4. Expanding the geography of regional exports:

- establishing permanent collaboration with sales offices, centers of science and culture in Russia and abroad;
- improving the quality of participation in public-private partnerships and in the investment forum in Sochi;
- participation in the international St. Petersburg forum;

- organization of business missions abroad with the participation of exporters from the Republic of Kalmykia;
- 5. The development of the support system for exporters, including provision of advisory and institutional support for exporters and support for exporters in raising public financial support.

The key direction in the socio-economic development of the regions is the formation of an effective mechanism of policy regulation of foreign economic activity of regional economic entities (which allows to increase the gross regional product by several times), which in turn involves improving the efficiency of methods and tools for its implementation [3].

Measures and mechanisms ensuring the development of interregional and foreign economic cooperation are:

- Further training of novice exporters with the involvement of "REC" (Russian Export Center) JSC;
- Active cooperation of the Export Support Center of the Republic of Kalmykia with "REC" JSC on the basis of the concluded partnership agreement on export activities with "REC" JSC;
- Encouraging the establishment of associations and units of exporters on its territory, and as the next stage — providing these associations and units with support in their creation of commercial trading houses, allowing to coordinate the activities of small and medium-sized enterprises, their joint access to foreign markets.
- Creation and promotion of regional brands in foreign markets;
- Availability of financial support for export activities.
- Development of public-private partnership, updating information on the investment potential of the Republic of Kalmykia on the Investment portal of the Republic of Kalmykia, personnel availability in investment institutions of the Republic of Kalmykia;
- Development and implementation of the program of targeted training of personnel of regional executive authorities exercising powers in the sphere of foreign economic activity[4];
- Development and implementation of the regional program for the development of interregional cooperation.

The priority industry areas for foreign direct investment include:

1. Tourist and recreational complex
2. Investments into the fishing fleet, technological complexes for fish processing
3. Sea route infrastructure development projects

4. Projects for the development of transport and logistics infrastructure, providing commodity export-import flows
5. Agro-industrial complex: agricultural production and processing of agricultural raw materials
6. Public utilities and housing;
7. Hydro and thermal power projects

The most promising partners of the Republic of Kalmykia are China and Belarus. The companies of these countries have experience of participation in infrastructure, energy, fisheries, agro-industrial and other investment projects, which corresponds to the sectoral priorities of the Republic of Kalmykia.

To attract foreign investments to the Republic of Kalmykia to finance investment projects, it is necessary to show the possibility of access to such resources to the companies operating on the territory of the Republic of Kalmykia. Regional authorities can organize presentations of foreign grant-givers, leasing companies, financial funds, programs financed by foreign investors for local enterprises. Another opportunity to attract foreign credit resources to finance investment projects in the Republic of Kalmykia is to encourage major Russian banks to negotiate with foreign counterparts to develop joint credit products for major participants in foreign economic activity in the region.

TABLE 3. Strategic goal indicators

Indicator	2016	2018	2021	2024	2027	2030
Exports, million US dollars						
Conservative	1,5	0,57	0,78	0,97	1,18	1,6
Target 1	1,5	0,57	4,92	9,24	13,6	15,8
Target 2	1,5	0,57	9,10	15,55	22	30
The growth of service exports by 2016, times						
Conservative	-	2	4	6	8	10
Target 1	-	2	6	8	10	12
Target 2	-	2	8	10	12	14
The number of exporters, units						
Conservative	11	14	17	20	23	26
Target 1	11	14	19	22	25	28
Target 2	11	14	22	25	28	31

Strategic goal. The growth of trade turnover of the Republic of Kalmykia with the regions of Russia and foreign countries, combined with the qualitative development of its commodity and geographical structure, the growth of volume and quality of goods and services' exports; sustainable growth of direct investment from the regions of Russia and abroad into the industry and projects in the Republic of Kalmykia, are defined as a priority.

IV. CONCLUSION

Summarizing the above, it should be noted that the involvement in the foreign economic activity of the regions is now considered as a priority direction of development of the foreign economic strategy in the Russian Federation, and is determined by increasing the competitiveness of products, the formation of an effective system of state support and export promotion at the regional level.

In conclusion, it should be noted that the development of foreign economic relations has a complex impact on the development of the economy on the macro-and mezo-levels of the economic system. The more effective the activity of foreign economic complexes is, the more stable the socio-economic development of mezo-economic systems is.

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