

Foreign Trade Potential of Vladimir Region Under Sanctions

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Abstract—Current economic sanctions are an important instrument of foreign trade policy. Generally, sanctions are passed for some definite term, but they can affect the economy of the region for a long period of time. Many negative consequences (the reduction in Gross Regional Product, job cut, decrease of foreign trade relations) come out during the time. Sanctions are lifted more slowly than they are imposed. In the modern world, there is a tendency to strengthen economic sanctions. One of the main reasons for this is the globalization of international economic processes, which are characterized by a growing scale of integration of markets for goods and services and capital. The stable and stable position of the state and, as a consequence, the region is determined by the level of their economic development. Accordingly, the introduction of restrictions and prohibitions on economic ties may adversely affect the normal functioning of the country and regions. The political and economic events that have taken place in the world have an ambiguous effect on the economy of the region and the country as a whole. Some Western countries have introduced economic sanctions against our country. Our country has taken protective response measures. The article presents an analysis of the foreign trade potential of the Vladimir region under the sanctions. A classification of sanctions is proposed, including all the key instruments of influence on states and regions, trends and features of the formation of world experience in the application of sanctions policy are shown. A comprehensive analysis of the foreign trade activity of the Vladimir region in the period 2014-2020 is carried out; this is the basis for identifying problems that have arisen as a result of the imposition of sanctions by Western European countries and the United States. On the issues identified, directions for the development of the foreign trade potential of the Vladimir region in the context of sanctions are proposed.

Keywords—sanctions, foreign trade potential, Vladimir Region, import substitution

I. INTRODUCTION

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

The imposition of economic sanctions against any particular country is intended to limit the complete cessation of trade and financial relations with that country. In most cases, sanctions are imposed in response when a country violates international law and potentially threatens a country's interests or international security. As time goes on, these are economic sanctions, which are gaining more and more importance in comparison with other instruments of foreign policy influence. This is due to the fact that sanctions are a kind of "golden mean" between words and military measures [1].

Recent world political and economic events have an ambiguous effect on the country's economy in general and on the regional economy in particular. Some countries have introduced economic sanctions against our state, and we have taken retaliatory protective 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 require study [3].

Thus, the study of trends and directions of development of the regional economy (for example, the Vladimir region) in the context of foreign sanctions is of great theoretical and practical importance.

II. PROBLEM STATEMENT

In recent years, the term “sanctions”, which has an old origin, has been increasingly pronounced. The concept of "sanctions" goes back to the Latin "sanctions", that is, the strictest decree. The term was introduced into international law in 1920 when the League of Nations Pact was promulgated.

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 not related to the use of force” which can include “a complete or partial break in economic relations, in railway, sea, air, post, telegraph, radio and other communications and a diplomatic break”.

In accordance with the Federal Law of December 30, 2006 No. 281-FZ “On Special Economic Measures”, economic sanctions are defined in Russian legal practice as “special economic measures” that “are applied in the event of

circumstances requiring an urgent response to certain internationally illegal actions or unfriendly actions of a foreign state, its state bodies and officials, if they pose a threat to the interests and security of the Russian Federation or violate its human rights and freedoms; the above special measures are consistent with UN Security Council resolutions”.

In our opinion, the term “sanctions” can be defined as “coercive actions of financial legislation against an entity for violation or unjustified fulfillment of financial agreements that are accepted by one or more countries in order to reduce the impact and change socio-political requirements, financial requirements and social requirements. another country or category of states ". In other words, sanctions are the right of one or more participants in international relations, who are economically, politically, and morally stronger, to impose restrictions on a weaker participant.

In a political sense, sanctions are very diverse: they can be less harsh in the form of warnings and can be harsh in the form of military action. In fact, all sanctions can be divided into 4 groups [4]:

The first group of sanctions is of a preventive nature; government officials make public statements, give press conferences, interviews, etc. to alert their opponents to specific actions and warn them of possible consequences.

The second group of sanctions presupposes the application of restrictive measures in relation to a certain group of persons, which are taken in order to displease this group. The sanctions of this group imply retaliatory actions that cause economic and political damage to both sides [5].

The third group of sanctions concerns foreign trade relations and affects both sides: there is a partial or complete rupture of economic relations, a ban is imposed on the export of goods, services, technologies.

The fourth group of sanctions includes acts of a violent nature. Throughout the history of mankind, many countries have resorted to such measures more than once.

III. RESEARCH QUESTIONS

- 1) *To reveal the terminology and the essence of sanctions and sanction policy;*
- 2) *to define the role of sanctions in the modern economic system;*
- 3) *to determine trends and features of building the world experience of applying the sanction policy;*
- 4) *to show the peculiarities of forming antirussian sanctions in the period of 2014-2020;*
- 5) *to show the features of economic and geographical position of Vladimir region;*
- 6) *to conduct the analysis of foreign trade activity of Vladimir in 2011-2020;*
- 7) *to identify and define the problems effecting the foreign trade potential of Vladimir region;*
- 8) *to identify and define the areas of developing foreign trade potential in conditions of sanction policy.*

IV. GOAL OF RESEARCH

The authors’ mission was to define the perspective areas of developing the Vladimir region foreign trade potential under

sanctions. To achieve the goal, according to authors, it is necessary to perform a number of tasks: to consider the concept and essence of sanctions; to study the role of sanctions in economy; to analyze the world experience of applying sanctions; to consider anti-Russian sanctions of 2014-2020; to estimate economic and geographical characteristic of Vladimir region; to conduct analysis of the foreign trade activity in Vladimir region during 2011-2020; to identify the problems affecting the foreign trade potential of Vladimir region at present stage; to define the main areas of developing foreign trade potential under sanctions.

V. METHODS OF RESEARCH

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).

VI. RESULTS OF RESEARCH

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.

1. 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 [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 staff 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].

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.

VII. CONCLUSIONS

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

1. Sanctions are precautionary and restrictive measures that may include military action 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 effectiveness of sanctions is declining, and this is due to the globalization of the world economy. A country under sanctions cannot be isolated from the outside world; 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 have an ambiguous effect on the economy of the Vladimir region. The region has significant potential and real opportunities for stable economic development.

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