

Adjustment of export support system: principles and approaches

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For the last years, issues of organization of effective support system of non-resource export appeared in the center of attention of the state economic policy. During the short term the President of Russia V.V. Putin announced two instructions related to this issue. The first one was announced at the investment forum of “VTB capital “Russia calls!”, reporting at which he estimated the situation: “Today the system of export support still operates ineffectively, to be honest, and does not bring good respond” and he highlighted, that “the Government shall find out why it happens so, and make relevant corrections”¹. The second became a part of the annual President’s Letter to the Federal Assembly, within the frameworks of which he gave an order to the Government together with the Agency on strategic initiatives to develop a new roadmap on export support². Implementation of these instructions proposes conduction of analytical working out of problems and consideration of professional opinions, one of which we are trying to present in this article.

PROBLEMS OF EXPORT SUPPORT

Under the influence of Russia’s accession to the WTO a number of measures on formation of standard and legal base and establishment of institutions of state export support were made. Ministry of Economic Development started implementation of the State program of the Russian Federation “Development of foreign economic activity”, Ministry of Industry and Trade keeps subsidizing of a part of interest rates, Ministry of Finance and Roseximbank provide operation of the mechanism of state warranties, Export Insurance Agency of Russia (EXAR) started to issue insurance policies to exporters.

¹ Speech of the President of Russia V.V. Putin at the Investment forum of “VTB Capital “Russia calls!” on October 2, 2013, RIA Novosti <http://ria.ru/economy/20131002/967287364.html#ixzz2ppkvQ7vA>

² Annual Letter of the President of the Russian Federation to the Federal Assembly <http://www.kremlin.ru/news/19825>

Only general conditions of the activity of participants of export operations are created at the federal level, while regional authorities are called for direct arrangement of events of state support of export of small and medium enterprises (SME). But there are no many examples of evident support of exporters at the regional level – Tomsk region, Republic of Tatarstan, Republic of Karelia, Rostov region. Moscow plays the key role in the development of the Russian export. Its transport infrastructure is the largest logistic center for transfer of export cargo. Offices of the most Russian and foreign companies, located in Moscow, arrange the primary flow of export transactions of the country. During the first 6 months of 2013 Moscow accounted for 40.7% (103.4 billion USD) of the whole export of Russia and 43.4% (65.4 billion USD) of import.³ Moscow Chamber of Trade and Industry, as well as the specialized Moscow Center of Export Support provides assistance for the city enterprises in promotion of their products for export.

However, support of industrial export in the regions is still in a formative stage, and attempts to give an organizational form to it are benevolent intentions. Thus, the measures of export promotion,⁵ marked in the Concept of foreign economic relations development of the city of Moscow,⁵ have no independent purposes and missions, but are just a constituent part of the SME support. Implementation of the measures proposed therein did not provide any target funding, thus, achievement of the purposes and missions, marked therein, was originally doubted.

The active system of statistic accounting does not allow receiving exact quantitative and qualitative estimation of the state of placement and potential of export oriented manufacture and their impact on formation of export values of the Russian Federation. Thus, before 2007 information about participants of the foreign economic activity registered in the tax authorities of Moscow and performing tax registration only in the Central Federal District was submitted, and after that – in relation to all foreign economic activity participants, registered in the Moscow tax authorities and performing tax registration in the territory of all subjects of the Russian Federation.⁶ This order of accounting leads to the fact that all export values are formed not only by the enterprises, located in the territory of Moscow, but by the largest Russian companies, who have only offices in Moscow, while all production activity is performed far beyond its borders. As a result, according to the official statistics, Moscow is the largest exporter of fuel and power products, whereas only headquarters of oil and gas extracting corporations of Russia are located within its territory. In compliance with this statistic accounting, the share of export of mineral products in the total export of Moscow per one year from 2006 to 2007 increased from 29.3% to 89%, and the share of machine engineering products reduced from 20.8% to

³ http://www.customs.ru/index.php?option=com_content&view=article&id=13858&Itemid=2095

⁴ Web-site of the Export Support Center of the city of Moscow <http://www.moscow-export.com/register/>

⁵ Order of the Moscow Government dated October 19, 2010 under No 958-PP

⁶ http://moscow.gks.ru/wps/wcm/connect/rosstat_ts/moscow/ru/statistics/



3.7%⁷. It is obvious that statistical information neither reflects the real image of the industrial production state of the capital, nor of other regions of the country as well.

The beginning of formation of the Russian export catalogue was a positive step⁸, however, participation in it shall not from at the Russian enterprises any overstated expectations of their sales abroad. In spite of the claims of issue of their products for export, many companies still have no own strategies of access to foreign markets, did not conduct an objective estimation of export competition ability of the products manufactured. Most of SME, having a production potential of export products, have no possibility to participate in the programs of export crediting and beneficial funding of modernization of engineering processes. They have no access to information files about market conditions for estimation of their export capacities. Export departments of industrial enterprises in many cases are not formed or have modest possibilities for active promotion of the enterprise products for export. Offer and availability of expert training programs on export and training courses for foreign trade specialists is very restricted.

Effectiveness of the whole work on export support is still not high. Despite potential possibilities of the Russian industry, the share of machine engineering products in the Russian export reduced from 8.8% in 2000 to 5.3% for January – November 2013. The volume of sales of machinery, equipment and vehicles abroad for this period increased from 9.1 billion USD to 25.2 billion USD.⁹

The existing order, practice and forms of state assistance to the national export-oriented companies lack behind from the level of arrangement of this activity in the leading member states of the WTO. Generally the reasons of inefficiency of non-resource export support, in our opinion, should be searched for in relation of federal and regional authorities, state and private companies and banks, entrepreneurial companies to this issue, as well as in the system of state management, organization and staffing support of the foreign economic sphere.

PRINCIPLES AND PRIORITIES

The system of state support of non-resource export “did not work in full”¹⁰ it keeps being built, but its development ratio does not keep up with the requirements of the global economy. Thus, the task of its adjustment, the success of conduction of which depends on a number of conceptual principles, was announced quite in a due time.

⁷ http://moscow.gks.ru/wps/wcm/connect/rosstat_ts/moscow/ru/statistics/

⁸ Official website of the Russian expert catalogue <http://export.gov.ru/>

⁹ Russia in numbers – 2011. http://www.gks.ru/bgd/regl/b11_11/IssWWW.exe/Stg/d2/26-08.htm Commodities structure of EXPORT of the Russian Federation with all countries for January-November 2013 http://www.customs.ru/index2.php?option=com_content&view=article&id=18725&Itemid=1978

¹⁰ Annual Letter of the President of the Russian Federation to the Federal Assembly dated December 12, 2013. <http://www.kremlin.ru/news/19825>

First of all, the system of organization of export state support should be completed and contain all relevant elements of management by means of enforcement of the existing institutions and mechanisms of furthering foreign economic activity and establishment of new ones. Still there are no several key elements, so the system of export support would be uniform. First of all, there is no specialized national export support agency, which may become the primary state institution not only for organization of promotion of non-resource export, but formation of positive image of Russia, internationalization of Russian companies, attraction of foreign investments as well.¹¹

Secondly, state support of exporters shall be provided intentionally and specifically to the priority sectors, separate groups of enterprises producing competitive products aimed at certain markets.

Thirdly, state support of exporters shall be performed in accordance with the programs, plans and projects of federal and regional levels, ensuring agreement and excluding duplicating of measures.

Fourthly, export support programs shall be financially secured, ensuring reality of the set purposes and missions, and provide openness of participation, reporting of performance and effectiveness of results.

Fifthly, state export support shall further development of export culture of entrepreneurs, initiate their interest and own investments to export promotion and facilitate their self-development.

Choice of priorities of state support of export-oriented companies is determined by sectoral and geographical factors. Sectoral priorities are set on the basis of the existing structure of national industry, availability of existing potential competitive export advantages, suppositions of unification of SME into export consortiums, capable to receive complex state support for their exploration of foreign markets and promotion of their products. Thus, dynamics of export of the most important products of Moscow enterprises for the last decade indicates the sales growth under a number of positions, which may be viewed as priority ones at state support. For the period from 2002 to 2012 the volume of sales abroad of electric machinery and equipment increased from 242 million USD to 1057 million USD, chemicals – from 49 million USD to 1685 million USD, tools and optic apparatuses – from 148 million USD to 510 million USD. Export of plastic and products made of it increased from 18 million USD in 2002 to 208 million USD in 2011, and the volume of sales abroad of non-ferrous products increased from 35 million USD to 355 million USD for this period.¹²

¹¹ Ref.: Chapter 3. Ways of modernization of foreign economic sphere. // Russia – Latin America, modernization of economic relations. Multi-author book. Edited by N.A. Shkolyar. - M.: VAVT 2013. – 215 p.

¹² http://moscow.gks.ru/wps/wcm/connect/rosstat_ts/moscow/ru/statistics/



Geographical orientation of state export support is determined by the possibility of extension of the previously formed foreign economic relations with other countries, as well as the choice of new strategic markets, potentially capable to positive respond to the offer of products of export-oriented industrial Russian enterprises. In accordance with the export results within the previous years the state priorities of state export support should be developed in the following directions. The first is in the CIS, especially with the member states of the Customs Union. Today CIS accounts for 41.5% of machinery, equipment and vehicles, exported by Russia.¹³ The second priority group of states, for exploration of which state support of exporters is relevant, includes fast developing economies: China, Turkey, Brazil, India, Indonesia, Malaysia, Mexico, that represent potentially receptive markets for the Russian machinery and engineering products. The states, with which enterprises commercial relations were developed, ensuring sale of significant volumes of products (over 1 billion USD per year) are another geographical direction of the development of export of Russian industrial enterprises. The following states relate to this category: Bulgaria, Hungary, Latvia, Lithuania, Poland, Slovakia, Czech Republic. Considering high component of mineral fuel in the structure of export of the Russian organizations to the largest European countries and weakness of competitive abilities at their markets of the Russian machinery and engineering products, possibilities of extension of the Russian export at this direction are very restricted.

Determination of the priority states allows to concentrate efforts of export-oriented Russian companies on their market exploration, establish regional trade houses of Russia, joint chambers of commerce, other organizational structures, ensuring stable development of foreign trade flows. Considering the necessity of exploration of new markets for the products of industrial organizations, it is necessary to foresee the use of forms of technical assistance and internationalization of the Russian companies at these markets.

APPROACHES AND DIRECTIONS OF THE “ROADMAP”

Compliance with these principles and priorities will allow developing the realistic “roadmap” of support of non-resource export, in which it is necessary to provide certain tasks, measures, ways of their realization, performers, expected results. It is necessary to provide not only certain performers of the appointed measures, but a unified coordinator of all activities in this direction as well, and a specialized national export support agency may become such. A set of measures of export support may be represented in the frameworks of five primary directions.

Assistance in development of the existing and innovative production at industrial enterprises. Within the frameworks of this direction state companies may provide

¹³ Commodities structure of EXPORT of the Russian Federation with all countries for January-November 2013 http://www.customs.ru/index2.php?option=com_content&view=article&id=18725&Itemid=1978

assistance to the enterprises in manufacture modernization, acquisition of advanced technologies abroad, relevant raw materials, components and modern industrial equipment, which may provide production of competitive products with high share of added value. First of all, this relates to production of high-tech products of precision and electronic engineering products, medical equipment, electric engineering and electronics, chemical, pharmaceutical and food industry. Provision of methodological and practical assistance for obtaining of international certificates for the export-oriented products, including on preparation of technical documentation for the product compliance with the requirements of International standardization organization is possible for the companies of these sectors. Projects of assistance to the export-oriented industrial enterprises in development of modern packages of the products produced for export, its promotion campaigns, international image may be useful. Active use of awarding of products of high quality with signs “Made in Russia” and “Made in Moscow” and arrangement of their promotion abroad may be a material impetus to export activity.

Information and analytical assistance to the export-oriented industrial organizations is called to provide them with open and up-to date information on the whole spectrum of foreign economic issues, as well as analytical examinations of priority state and industrial markets, availability of which should further adoption of right solutions of foreign trade nature.

Reorganization of the training system of foreign trade specialists by means of introduction of open and distance education and modern programs for the purpose of provision of industrial enterprises with the qualified specialists, who can effectively realize the process of export promotion and organization.

Assistance of internationalization of the Russian industrial companies, promotion and funding of export of industrial products by means of sectoral cooperation on exploration of priority foreign markets, ensuring broad access to the mechanisms of state export insurance and crediting

Actualization of standard and legal base and organizational structure for the purpose of formation of the modern legal and institutional basis, in compliance with the conditions of Russia’s participation in the WTO, stimulating at the same time export activity of the Russian industrial companies.

Implementation of the “roadmap” of export support in the midterm should be planned within the frameworks of the national program and programs for each region of the state. The following relates to the tasks related to development of export of industrial products within the competence of federal state authorities: improvement of legal base of the Russian Federation in the part of foreign economic activity; improvement of tax environment in the interest of export activity development; development of state and private partnership, extension of participation of entrepreneurial community in implementation of export policy of the state; consolidation of personnel potential of foreign economic activity;



improvement of state statistic reporting for the purpose of objective reflection of export activity in the Russian Federation.

In the course of solution of the specified tasks, regional authorities may use the right of legal initiative as participants of foreign economic activity of the Russian Federation and provide access to the local industrial companies to the federal programs and mechanisms of export support. At the level of region for further development of industrial export of enterprises the agreed actions of the state authorities, entrepreneurial public organizations and companies themselves are required.

Each measure of export support shall reflect one direction of the state program of export support, have a certain objective and project form of implementation, be a constituent part of the regional program of export support.

The main priority of this approach is feasibility, based on the specified principles, the compliance with which provides possibility to arrange effective promotion of the Russian export, increase its machine and engineering component, ensure comprehensive assistance to the export-oriented industrial enterprises in the conditions of Russia's participation in the WTO.

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