

## **Export opportunities of Siberia**

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Today trade is unthinkable without Russia's participation in foreign economic relations. The share of Russia's participation in international trade equals to 2,84% that provides the 8th place in the world<sup>1</sup> after China (13,48%), USA (8,36%), Germany (7,63%), Japan (4,32%), France (3,01%), Netherlands (3,01%) and Korea (2,96%). Trade structure of Russia's export according to table 2 consists of export of mineral products at 71,38%, including, among other things, fuel and energy resources and only 5,05% of machinery, equipment and vehicles<sup>2</sup>. When analyzing table 1 one may note that the share of Russia in the global export of machinery and equipment equals to 0,26%, whereas this value in the developed states is ten times higher: China 16,55%, USA 9,12%, Germany 11,40%, Japan 8,16%, France 3,66%. The listed five countries account for almost a half of the global export of machinery and equipment.

The group machinery, equipment and vehicles (FEACN 84-90) in the commodity structure of the Russian export from the beginning of the 21<sup>st</sup> century to the present reduced by 41,95% (in 2000 – 8,7%), and the group of mineral products (FEACN 84-90) increased by 5,63% (in 2000 – 76%). Significant deviation between the high share of the processing industry in GDP and low – in the export of machinery and equipment certifies low competitive ability of the Russian products and Russian companies<sup>3</sup>.

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<sup>1</sup> The 2012 International Trade Statistics Yearbook (2012 ITSY) data on 174 countries used

<sup>2</sup> Russia and countries of the world. 2012. Stat.sb. / Rosstat- M., - 2012. –p. 362-366.

<sup>3</sup> Russia in numbers. 2013: Krat.stat.sb. / Rosstat- M., - 2013. –p. 544.

Table 1

**Values of foreign economic activity of primary exporting countries for 2012, in million USD**

No	Country	Foreign economic turnover	Export total	Export of machinery and equipment	Import	Share of state in global export, %	Share of state in global export of machinery and equipment, %
1	China	4823822	2492760	965288	2331062	13,48	16,55
2	USA	3882200	1546830	532008	2335370	8,36	9,12
3	Germany	2579038	1410384	664782	1168654	7,63	11,40
4	Japan	1684159	798559	476118	885600	4,32	8,16
5	France	1219839	556575	213311	663264	3,01	3,66
6	Netherlands	1054555	556175	-	498380	3,01	-
7	Korea	1067440	547870	-	519570	2,96	-
8	Russia	839533	525383	15084	314150	2,84	0,26
9	Italy	987951	500906	-	487045	2,71	-
10	Great Britain	1121186	476275	-	644911	2,58	-
11	Canada	931431	461793	-	469638	2,50	-
12	India	784065	295518	-	488547	1,60	-
	Total: 1-12	20975219	10169028	2866591	10806191	54,99	49,15
	All states: 1-174	36684342	18492023	5832199	18192319	100	100

**Source:** calculated by the author according to International Trade Statistics data

Domination of fuel and raw materials goods in the Russian export bears a number of negative consequences....promotes “weighing” of the structure of industrial production and reduction of its technological level; accelerates depletion of reserves of exhaustible resources; increases environmental load on the economy; increases its vulnerability from the state of global environment at the raw material markets<sup>4</sup>.

<sup>4</sup> Shuysky V.P. Improvement of the system of export support of Russia // Russian bulletin on foreign economy, No 9, 2012. – p. 36



Table 2

**Commodity structure of export of the RF for 2012, in million USD**

No	FEACIN	Name of commodity sector	Export, million USD	Share of sector in export
1	25-27	Mineral products	3745576,58	71,38
2	72-83	Metals and products made of them	444653,05	8,47
3	28-40	Chemical industry products, resin	319711,96	6,09
4	84-90	Machinery, equipment, vehicles	264897,38	5,05
5	01-24	Food products and agricultural raw materials (apart from textile)	165980,68	3,16
6	71	Precious stones, metals and products made of them	138182,34	2,63
7	44-49	Wood, pulp and paper	101286,88	1,93
8	68-70, 91-97	Other goods	54600,24	1,04
9	50-67	Textile, textile products, footwear	7387,21	0,14
10	41-43	Leather, fur materials and products made of them	4998,29	0,10
		Total:	5247274,58	100,00

**Source:** calculated by the author according to the RF Customs statistics data

In 2012 high degree of concentration of foreign economic turnover at several regions preserved, mainly, in megalopolises and raw material regions, as well as regions with comparatively developed industry, large population and sea ports....Moscow, Saint Petersburg and the Tyumen region accounted for 52% of all export of Russia<sup>5</sup>.

Natural resources and raw materials form the basis of the Russian export. Primary reserves of raw hydrocarbon deposits, coal, uranium, ferrous and non-ferrous metals, precious metals, wood, water and water and power resources are preserved in Siberia.

The reserves of coal here are equal to 80% of total Russian reserves, copper – 70%, nickel – 68%, leads – 86%, zinc – 77%, molybdenum – 82%, gold – 41%, metals of

<sup>5</sup> Kobrina I.A., Likhachev R.A. Foreign trade of Russia // Russian bulletin on foreign economy, No 5, 2013. – p. 59

platinum group – 99%, water and power resources and wood reserves – over 50%<sup>6</sup>. But Siberia goes other way, different from the all-Russian one. Implementation of the script of social and economic development of Siberia according to the Strategy of social and economic development of Siberia till 2020 shall provide: development of industries of deep processing of natural raw materials, export of finished products from Siberia with high share of added value. Thus Siberia, having stopped being a raw material supplier of the West should come out and gain a position at the global market with a finished product with high share of added value.

Siberian Federal District includes 12 regions of Russia. The primary raw material and energy potential of the state is concentrated in the district. Novosibirsk – the administrative center of the Novosibirsk region – is the administrative center of the Siberian federal district.

According to table 3 in 2012 Siberian federal district occupies the second half of the table, taking the 5<sup>th</sup> place in Russia in relation to the external turnover of goods and volume of good export.

*Table 3*

**External turnover of Russia for districts in 2012, in million USD**

<i>No</i>	<i>Region</i>	<i>External turnover</i>	<i>Export</i>	<i>Import</i>
1	CENTRAL FEDERAL DISTRICT	402616	222 048,5	180 567,5
2	NORTH-WESTERN FEDERAL DISTRICT	108523,3	51 543,4	56 979,9
3	URAL FEDERAL DISTRICT	80702,2	72 555,8	8 146,4
4	VOLGA FEDERAL DISTRICT	73947	59 156,0	14 791,0
5	SIBIRIANL FEDERAL DISTRICT	42791,74	33803,89	8987,85
6	FAR EASTERN FEDERAL DISTRICT	36446,6	25 935,3	10 511,3
7	SOUTH FEDERAL DISTRICT	31165,9	19 629,3	11 536,6
8	NORTH-CAUCASIAN FEDERAL DISTRICT	3101,2	1 208,3	1 892,9
		779293,9	485880,5	293413,5

**Source:** calculated according to the information of the Customs statistics of the RF

<sup>6</sup> Strategy of social and economic development of Siberia till 2020, approved by the Decision of the Government of the Russian Federation dated July 05, 2010 under No 1120-p



The scale of external trade of the Siberian regions increased in the pre-crisis period, the primary core of its participants formed and an assortment of products extended.

For efficient realization of the script of social and economic development of Siberia according to the Strategy of social and economic development of Siberia 2020, it is necessary to consider the most successful region, in the structure of export of which export of finished products prevails.

According to Table 4 and information of the Customs statistics of the RF in 2012: the Kemerovo region takes the first place in the Siberian federal district in relation to the volume of external turnover of goods, export of mineral products (FEACN 25-27) takes 74,2% in the commodity structure of the regional export, metals and products made of them (FEACN 72-83) – 20,5%; Krasnoyarsk krai takes the second place, where export of metals and products made of them (FEACN 72-83) accounts for 78,6% in the commodity structure, wood, pulp and paper (FEACN 44-49) – 33,9%; fuel and energy goods (FEACN 27) -30,7%, and metals and products made of them (FEACN 72-83) – 29,9%. The Novosibirsk region takes the fourth place. Commodity structure of export of the Novosibirsk region consists of: machinery, equipment and vehicles – 50,4% (FEACN 84-90), fuel and energy goods (FEACN 27) – 31%.

*Table 4*  
**Foreign trade turnover of the Siberian Federal district of the RF for 2012, in million USD**

<i>No</i>	<i>Region</i>	<i>Foreign trade turnover</i>	<i>Export</i>	<i>Import</i>
1	Kemerovo region	13168,92	11879,4	1289,52
2	Krasnoyarsk krai	10001,01	8198,72	1802,29
3	Irkutsk region	8733,03	7297,54	1435,49
4	Novosibirsk region	3639,32	1491,21	2148,11
5	Khakassia	2685,22	1990,28	694,94
6	Buryatia	1186,96	943,1	243,86
7	Tomsk region	969,45	821,78	147,67
8	Altai krai	889,74	465,73	424,01
9	Zabaikalsky krai	734,26	216,92	517,34
10	Omsk region	716,77	457,59	259,18
11	Altai republic	53,71	39,31	14,4
12	Tyva	13,35	2,31	11,04
		42791,74	33803,89	8987,85

**Source:** calculated by the author according to the Siberian customs administration

Thus, Krasnoyarsk krai, the Kemerovo and Irkutsk regions mainly supply mineral products, metal and wood, i.e. raw materials, to the foreign markets.

Republic of Khakasia occupies the fifth place in Table 4, the commodity structure of export consists of: 77,2% from metals and products made of them (FEACN 72-83), 21,7% from fuel and power goods (FEACN 27); the sixth place – Republic of Buryatia, where the commodity structure of export includes: 40,9% – machinery, equipment and vehicles (FEACN 84-90), 45,7% – fuel and power products (FEACN 27); the seventh place – Tomsk region, where the commodity structure of export includes: 42,7% fuel and power products (FEACN 27), 41,3% - products of chemical industry (FEACN 28-40); the eighth place – Altai krai, where the mineral products (FEACN 25-27) form 25,8% of the commodity structure, pulp and paper (FEACN 44-49) – 21,1%, food products and agricultural raw materials (FEACN 01-24) – 19,4%; the ninth place – Zabaikalsky krai, where the commodity structure of export includes: 36% from machinery, equipment and vehicles, (FEACN 84-90), 24,6% - metals and products made of them (FEACN 72-83), 20,9% – pulp and paper (FEACN 44-49); tenth place – Omsk region, where the commodity structure of export includes: 75% – products of chemical industry (FEACN 28-40), 13,3 – mineral products (FEACN 25-27); eleventh place – Altai Republic, where the commodity structure of export includes: 58,5% mineral products (FEACN 25-27); 26,8 – products of chemical industry (FEACN 28-40); he twelfth place – Republic of Tyva , where the commodity structure of export includes: 72,1% – mineral products (FEACN 25-27) and 16,6% – machinery, equipment and vehicles (FEACN 84-90).

Thus, today only export activity of the Novosibirsk region, Republic of Buryatia and Zabaikalsky krai out of 12 subjects of the Russian Federation, included into the Siberian Federal District, is close to the script of social and economic development of Siberia from the point of view of transition from non-resource export to finished products export with high share of added value. The primary group of export goods in these very three regions is export of machinery, equipment and vehicles. In 2012 the Novosibirsk region supplied machinery, equipment and vehicles to the foreign markets for the amount of USD 751,56 million that equals to 2,83% in the share of all-Russian export, in its turn, Republic of Buryatia supplied machinery, equipment and vehicles to the foreign markets for the amount of USD 385,72 million that equals to 1,45% in the share of all-Russian export of this group, and Zabaikalsky krai supplied machinery, equipment and vehicles to the foreign markets for the amount of USD 78 million that equals to 0,29% in the share of all-Russian export of this group.

Thus, the Novosibirsk region is the most successful region of Siberia, in the structure of which export of finished products with high share of added value prevails, from the concept of the given strategy of Siberia development.

The Novosibirsk region is an attractive region for investment and business. Profitable geographical position of the region, powerful scientific and educational complex and



diversified structure of economy are the main competitive advantages of the region<sup>7</sup>. The Novosibirsk region is one of the most industrially developed ones in Siberia, where over 10% of industrial products of the district, 13,8% of agricultural products are produced<sup>8</sup>. The Novosibirsk region leads the lack in Russia in relation to export of laser systems and accessorizes. Moreover, 75% of disease detection tools produced in Russia, 60% of the Russian medical x-ray devices, 90% of hosting virtualization software, 90% of appliances for liquid chromatography are produced by Novosibirsk enterprises.

According to the number of small enterprises (6,4 thousand) the region occupies the eighth place in Russia and first in the Siberian Federal District<sup>9</sup>. The primary potential of the region economy development is related to development of science based innovative production.

Every year the Novosibirsk region becomes the winner of the federal contest “The best region (subject) of the Russian Federation in development of small and medium entrepreneurship and establishment of the most favorable conditions for that” in the Siberian federal district<sup>10</sup>. According to the estimates of experts, one of the most effective mechanisms of state support of entrepreneurship and investment projects in Russia is formed in the Novosibirsk region. In May 2012 Fitch agency increased long-term ratings of the Novosibirsk region in foreign and national currency of BB level up to BB+, and a long-term rating under the national scale from AA-(rus) to AA(rus) level. Forecast under the ratings is “Stable”. Short-term rating of the region in foreign currency is approved at level B<sup>11</sup>.

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<sup>7</sup> Guide of investor: Novosibirsk region [Electronic resource]. - [http://www.pwc.ru/en\\_RU/ru/doing-business-in-russia/assets/pwc\\_invest\\_novosib-rus.pdf](http://www.pwc.ru/en_RU/ru/doing-business-in-russia/assets/pwc_invest_novosib-rus.pdf). - (date of application: 26.11.2013)

<sup>8</sup> Kovalyova G.D. Economic and statistic approaches to sectoral export policy development // Sub-federal economic policy: problems of development and implementation in the Siberian Federal District/ edited by A.S. Novosyolov ; IEOPP SO RAN. - Novosibirsk, 2012. - Ch. 7. - P. 200-222

<sup>9</sup> Operative data of Rosstat concerning primary values of the activity of small enterprises (legal entities, without micro-enterprises) in January – December 2012 [Electronic resource]. - <http://www.sibfo.ru/economics/business-statistics.php?action=art&nart=7839>. - (date of application: 04.12.2013)

<sup>10</sup> Novosibirsk region was recognized as the best region on development of small and medium business in Russia once again [Electronic resource]. - <http://msp.airws.ru/item/343-новосибирская-область-в-очередной-раз-признана-лучшим-регионом-по-развитию-малого-и-среднего-бизнеса-в-россии.html>. - (date of application: 04.12.2013)

<sup>11</sup> Laws of investment attraction [Electronic resource]. - <http://www.kommersant.ru/doc/2093422>. - (date of application: 26.11.2013)

State and municipal authorities, pro-state enterprises, non-commercial structures and commercial organizations interact successfully in the region. We can point out the following as a key subjects of infrastructure of exporter support: Ministry of economic development, trade and development of entrepreneurship (according to the Long-term target program “Development of the constituent units of small and medium entrepreneurship in the Novosibirsk region for 2012-2016”), Siberian customs administration, Novosibirsk customs, Administration of the Federal Service on technical and export control for the Siberian Federal District, Representative office of the Ministry of Foreign Affairs of the Russian Federation in Novosibirsk, over 10 representative offices (embassies, consular offices, visa centers) of foreign countries, center of coordination of support of export-oriented constituent units of small and medium entrepreneurship of the Novosibirsk region, Euro Info Consultation (Correspondent) center, two Chambers of Industry and Commerce.

*Table 5*

***Foreign trade turnover in the Novosibirsk region for 2008-2012, in million USD***

<i>No</i>	<i>Year</i>	<i>Foreign trade turnover</i>	<i>Export</i>	<i>Import</i>
1	2008	3567,08	1895,73	1671,35
2	2009	2288,77	1420,89	867,88
3	2010	3091,19	1702,52	1388,67
4	2011	2655,94	1436,53	1219,41
5	2012	4254,36	2001,68	2252,68

**Source:** information prepared according to the data of Rosstat on the basis of data of the Federal customs service of the RF and data of statistic form No 8-VES (services) “Information on export (import) of services in foreign economic activity”.

Table 5 shows development of foreign economic relations of the Novosibirsk region with the foreign countries for the last 5 years. At analysis of statistical data it is necessary to pay attention to the fact that every year the volume of foreign trade balance has an obviously positive dynamics. 2009 and 2011 were an exception. Post-crisis 2009, expressed by weakening of financial stability of primary participants of trade due to the consequences of the global economic crisis reflected on the foreign trade of the Novosibirsk region by reduction of foreign trade turnover by 35,83% (USD 1 278,31 million) in comparison to the previous 2008. The volume of export reduced by a quarter 25,04% (USD 474,84 million), the volume of import – almost twice – 48,07% (USD 803,47 million). In relation



to this the balance of the foreign trade was peak positive in the amount of USD 553,01 million, as a result of low volume of import. In 2011 participant of FEA, operating with the Customs Union states, in opinion of experts, got into blind zone. According to the data of customs statistics for 2009 only the share of export to Kazakhstan was equal to 21,7%. Because Kazakhstan is the only state, bordering with the Novosibirsk region, the length of borders is 316,4 km. From July 01, 2011 exporters to these states and, accordingly, goods turnover are not accounted into the customs statistics, because goods and services transfer within the limits of the unified economic space is considered as an internal trade, not as an external one.<sup>12</sup> This reflected on external trade of the Novosibirsk region by reduction of the foreign trade turnover by 14,08% (USD 435,25 million) in comparison to the previous 2010. The volume of export reduced by 15,62% (USD 265,99 million), the volume of import – by 12,19% (USD 169,26 million). But the balance of foreign trade balance was positive in the amount of USD 217,12 million.

According to the information of the Customs statistics of the Siberian customs administration of the RF, in 2012 foreign trade operations were conducted with partners from 116 states of the neighboring countries and beyond; export and import transactions were performed by about 1800 enterprises and companies, registered in the territory of the Novosibirsk region. Foreign trade turnover in 2012 was equal to USD 4 254 million<sup>13</sup>, among which the goods turnover accounts for 83% and services turnover account for only 17%. Export resulted in the amount of USD 2001 million (47% of WTO) including 65% of export of goods and 35% of export of services; import – USD 2252 million (53% of WTO), including 95% import of goods and 5% import of services. In relation to 2011 the volume of export of goods increased by 22,61%, the volume of export of services increased by 44,65%, whereas the volume of import of goods increased by 47,07% and the volume of import of services increased by 21,14%. The balance of the foreign trade balance of goods was negative and was equal to USD 656,9 million. The balance of foreign trade balance of services was positive and was equal to USD 405,9 million. Total negative balance of the foreign trade balance is USD 251 million

In 2012 the largest proportion (over 50,04%) was occupied by the machine engineering products in the commodity structure of export of the region. Supplies of fuel and power products equal to 31% of the total volume of export, and precious stones, metals and products made of them equal to 5,5%. Ukraine (31,85%), China (12,47%) and Bulgaria (7,1%) account for the largest proportion of export of goods. Transportation services traditionally take the largest proportion in the structure of export of services in 2012 – 90%, and medical,

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<sup>12</sup> Samoilov-Samarin G.S. Small and medium business in the “blind zone” // Expert Sibiria.- No 26 (381), 2013. – P. 30-31

<sup>13</sup> Statistical data are given without considering the turnover of scientific and engineering information and results of intellectual activity.

accounting, computer, touristic services and services in the field of R&D account for about 5%. 90% of services are exported to non-CIS states and 10% to the CIS states.

Such enterprises as OJSC Novosibirsk plant of chemical concentrates, CJSC Siberian anthracite, Federal State Unitary Institution State scientific and production association Splav, LLC Siberian Plant “Metallprofil”, CJSC Siberian anthracite, CSJC “EPM – Novosibirsk electrode plant”, LLC Konakri, OJSC “Sibir Airlines”, that provided 50,7% of the volume of foreign trade turnover of the region in a monetary terms are among the largest participants of the foreign economic activity in 2012<sup>14</sup>.

In spite of complicated global economic situation and existing model of export of Russia, certain regions conduct foreign economic activity on the way of development of sectors of deep processing of natural raw materials and adjustment of supply situation of finished products with high share of added value. At analysis of development dynamics of foreign economic relations of the Novosibirsk region at the beginning of the 21<sup>st</sup> century it is obvious that during the long period the Novosibirsk region has been highlighting diversification of the structure of economy, where machine engineering is in the export of the region<sup>15</sup>.

In conclusion it is necessary to say that in order to achieve high values and increase of the share of export of goods with high share of added value in total volume of export, one should create conditions for increase of the quantity and quality of the services rendered and products produced; improve the legal base, specialized programs, develop infrastructure of support, system of information and consultation provision, internet resources for entrepreneurs in every certain region, that will result in creation of conditions for exporters for foreign economic activity

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<sup>14</sup> International cooperation [Electronic resource]. - [http://www.nso.ru/Common/international\\_cooperation/Pages/default.aspx](http://www.nso.ru/Common/international_cooperation/Pages/default.aspx). - (date of application: 26.11.2013)

<sup>15</sup> Chernobay O.L. Dynamics of development of foreign economic relations of the Novosibirsk region at the beginning of the 21<sup>st</sup> century.// Vlast. - No 2, 2009. – P. 15



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