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**Faculty of Economics and Management**

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**Diploma Thesis. Abstract**

**Foreign Trade - case study of Russian Federation**

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## 1. Summary

This thesis is focused on analyses of the foreign trade of Russian Federation.

Theoretical part illustrates foreign trade as an economic phenomena and discovers notion and structure of foreign trade as well as describes the role of foreign trade in economic development of the country.

Practical part involves the analysis of the current situation current situation in foreign trade of Russia and contains the description of nature, aims and tasks of the state regulation of foreign trade activity in Russian Federation; international comparisons with other countries; commodity and geographical structure of Russian export and import. Also such specified issues, peculiar only for Russian, are considered as: problems in foreign trade, caused by crises and sanctions and drawbacks and advantages of Russia joining of World Trade Organization (WTO). The aim of the Diploma thesis is to analyze the current situation of the foreign trade of Russia, describing its essence and identifying its problems and some perspective of its growth.

**Keywords:** foreign trade, economic development, export, import, world trade, GDP, dynamics, rates, parameters of globalization, national resource base.

## 2. Aims

The dynamics of foreign trade is an important background for the development of Russia, especially in the current conditions of economic recession and external price shock connected to the situation in the world oil market.

The aim of my Diploma thesis is to analyze the situation of the foreign trade of Russia relevant to 2016, identifying its problems and some perspective of its growth.

The main objectives are:

- To present notion and structure of Russian foreign trade;
- To define aims and tasks of the state regulation of foreign trade activity in Russian Federation;
- To conduct comparisons with important players in international markets (USA, China, Brazil, Germany, Japan)
- To analyze the situation in foreign trade of Russia relevant to 2016 based on commodity and geographical structure;

- To consider problems in foreign trade (changes caused by crises and sanctions);
- To demonstrate drawbacks and advantages of Russian participation in World Trade Organization

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### **3. Methodology**

This diploma thesis will be based on continuous research.

The theoretical part will explain notion, structure and role of foreign trade in economic development. The data will be obtained from bibliographic research.

The practical part will focus on the analysis of the foreign trade of Russia relevant to 2016. Methods such as descriptive, regression analysis and graphic analysis will be applied to the present situation, reflecting aspects and problems of foreign trade relevant to 2016.

Comparative analysis will be used for the comparisons with global players in international markets (USA, China, Brazil, Japan and the European Union) from 2007 till 2016 and for Russian participation in the World Trade Organization.

### **4. Conclusion**

Foreign trade is a trade between countries that consists of export and import of goods and services. It is carried out mainly through commercial transactions which are made between both business (the enterprise) and countries or states; and are usually contractually agreed by both parties.

The advantages of participation in foreign trade:

- the intensification of reproduction process in national farms as a consequence of strengthening of specialisation, creation of an opportunity for the origination and development of mass production, increase in degree of capacity of equipment, growth of efficiency and introduction of new technologies;
- increase in export deliveries that involves increase in employment;
- the international competition which causes the necessity for improvement of the enterprises;
- the export revenue as a source of accumulation of the capital aimed at industrial development.

The necessity of foreign trade is caused by unevenness of development of various branches in the different countries. Production of the most dynamically developing branches, which can't be realized in domestic market, is taken out abroad.

Recession in economy of Russia has gained definiteness of parameters. The current changes are essential but in the quantitative expression are not really substantial. In 2016, dynamics of decrease in the majority of indicators slowed down. Even further reduction of GDP of Russia for 1%, following the results of the current year, is viewed as a balance sign at the new level, from which the definite growth and modernization will start.

Adaptation of the national economy to external price shock — the decrease in dollar, cost of exports by over a third over the year — is a hard task for the economy of any country. Considering other problems of the Russian economy — weakness of processes of accumulation, low competitiveness of a number of branches, high inequality of the population income, the pre-crisis noticeable rate of inflation — the recession looks not as heavy.

In the last five years, there was a delay of world export growth in comparison with dynamics of GDP, even though the stable advancing of gain in export over gain of GDP was observed before crisis of 2008 — 2009.

In Russia, the decline of personal consumption by 10% and investments for 8% in 2015 pure export has grown by 72% (in 2009 — for 57%), generally due to sharp reduction of imports, as has constrained fall of GDP on a mark of 3,7%.

In the conditions of crisis, there was some change in structure of foreign trade of Russia. As expected, the APEC role in export has grown at decrease in shares of the EU and the CIS (at the expense of Ukraine). At preservation of former commodity structure of export in real terms, the share of oil has fallen in dollar expression.

In import structure, the decrease in importation of cars and food is noticeable (under the influence of sanctions), but import of cars and the equipment substantially remains.

In importation of food, Russia was reoriented onto new supplying countries. Partial import of food products is replaced, thanks to the growth of own production, even though in agriculture this process takes considerable time. At the same time and paradoxically, success of development of a number of branches of the agrarian sphere in many respects depends on

sanctions existing and respectively, countersanctions at least in the short term. The outlines of well-known industrial policy form involuntarily: temporary closure of domestic market for modernization and increase in level of competitiveness of own producers.

Membership of Russia in the WTO has brought some definite advantages for the country:

- Improvement of image of the country as the equal participant of world trade;
- Decrease in barriers on the way to the international trade market;
- Free access to the developed international schemes of settlement of disputes in the field of trade;
- Increase in the competition in the financial sphere. Decrease in credit rates for the population, also the enterprises of small and medium business.
- Modernization of domestic economy according to requirements of the present stage of development of trade and economic relations.
- Reduction of import duties for a number of goods (drugs, products, clothes, IT production and so forth). Decrease in export duties. Here pluses are accurately visible to the enterprises working in a raw segment (about minuses of this process see below).

Russia is a truly unique country that stretches over a vast expanse of Europe and Asia. Thanks to its geographical location and abundance of natural resources, Russia is capable of building an economy that will allow the country to be competitive in foreign trade. Having made that statement, it is incredibly important to set precise and accurate priorities for public policy, as well as increase the production volume and the level of competition inside the country. Moreover, there is also efficient use of natural resources, development of quality product and reducing volume of output meant for export - the areas in need of improvement and better implementation. All of the mentioned above is bound to let Russia realise its full economic potential, ensure the economy is more flexible, yet stable and less dependent on external factors.

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