St Petersburg Business Information Centres and Their Role in Increasing the Efficiency of International Business Activities
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The Ministry of Foreign Affairs of the Russian Federation acknowledges the significant contribution of regions to the development of the state’s foreign policy. An increase in innovative production, a commitment to achieve complete import substitution, and the development of measures to promote non-raw material export are the principal objectives established by the state for its regions.

The current trends in world economy and the geopolitical situation formulate new goals and objectives for regions and suggest the creation of innovative and universal mechanisms to increase the efficiency of international economic activities, promotion of a positive image of Saint Petersburg and other regions of the Russian Northwest.

The article analyses the activities of Saint Petersburg business information centres abroad, similar experience of other Russian regions, and prerequisites for reforming the institution of regional offices abroad.

In the course of the study, new theoretical and methodological questions as to improving the regulatory framework for development and functioning of Russian regional offices abroad, the use of public-private partnership mechanism in foreign economic activities and information technologies of positive image promotion were formulated.

Key words: efficiency enhancement, foreign economic activities, Russian regional offices abroad, promotion of a positive image of St. Petersburg

For more than 20 years now both geography and diversity of external connections of the city of Saint Petersburg have been steadily growing. Today, international cooperation is a “standard fare” in the cultural, social and economic life of the area.

External connections have a direct impact on the the economy of the city
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and on the quality of life of its people. To illustrate: in 2012 the GDP of Saint Petersburg totalled at 75 billion U.S. dollars with external turnover amounting to 56.5 million dollars.

The city’s cosmopolitan vibe and the socio-economic welfare of its inhabitants depend largely on the introduction of innovative mechanisms of external economy management. Since there are very few positive changes in either quality or quantity of external economic activity of Saint Petersburg (SPEEA) it is now necessary to look for new export-support tools and find new ways of promoting regionally-produced goods to external markets. The development of more efficient mechanisms of state support of external economic activity is a related item on the agenda. Various experts agree that the largely uncoordinated efforts of the Russian regional authorities and export-oriented businesses minimize the efficiency of export endeavours [7].

Saint Petersburg was planned and constructed as a Russian outpost in Europe, so its proximity to the critically important sea routes is historically and politically conditioned. The city’s research, industrial and cultural capacities have been shaped, among other factors, by a multifaceted external influence. The history of the city’s connections with the outside world has been rich and complex, and now allows us to talk about the uniqueness and importance of Saint Petersburg’s geopolitical status.

Liberalization of foreign economic activity that happened in Russia in the beginning of the 90-s ensured a direct connection between the country’s status in the economy of the world and its regional development. For 38 border regions (of the total of 85 federal subjects of the Russian Federation) it meant a small economic development head start. For the federal government, it meant dealing with the unbalanced paces of growth in external economic activity, both on the federal and on the regional levels. The situation also required factoring in a variety of external factors when planning internal policy and economic development of the regions.

Today, the experts are still in disagreement over what exactly constitutes the so-called “external economic capacity of a region” [23], what factors influence its development [8], and what methods should be used to evaluate this capacity [1]. Vardomsky [4], Golovina [6], Yevchenko [9] and other theoreticians and practitioners discussing these issues helped establish an extensive reference base for further research into the issue.

Until now, there have been a great number of studies of specific aspects of the problem: namely, of regional export capacity [20] and certain types of external economic activity — most notably, external trade [13]. Yet, Russia’s WTO membership, world financial crisis and the development of the Common Economic Space between Russia, Belarus and Kazakhstan we believe the focus of research should shift from “export capacity” to “external economic capacity”. Razumov [21] has already used this approach in his resource-based studies, and Varichev [5] has proposed a working definition of “external economic capacity” in his paper on the dynamic approach to its analysis.
Summarizing the bulk of previous research on the topic [11—13; 16], we propose the following result-oriented definition:

*External economic capacity* is an accumulated ability of regional economy to engage in external economic activity to optimize its social and economic growth; it utilizes internal and external capacities of the region and relies on the system of governance that allows for external economic activity to go on unobstructed.

To achieve sustainable economic development in a given region we first need to thoroughly analyze the *status quo* for external economic activity in this region and come up with a number of research-based optimization solutions that will allow the region to fully utilize its external economic capacity. To this end, Prytkov and Nemirova [20; 16], for example, offer to rely on the sum of individual capacities. We should also remember to account for one of the biggest challenges of regional development, which is investment/innovation capacity building; this being an efficient tool capable of boosting the region’s competitiveness at external markets [15].

Because external economic activity of the country lies in the sphere of foreign policy, it, too, should be centrally conducted and regulated. At the same time, we cannot deny that regional authorities do actively participate in Russian foreign relations. We quite agree with Kutzenko [14], who argues that the Russian Federation must develop its foreign economic policy in such a way that it reflects regional interests [14].

The experts have identified a number of priority tasks in a number of areas, including the development of external economic strategy of the regions and, thus, of the export capacity of the country [18]; updating the principles of strategic planning [22] and the mechanisms of export capacity development at the regional level [23]. Progress in these areas is to be achieved through full restoration of Russian export capacity; introducing measures to increase the international competitiveness of Russian goods; developing a rational import-export balance; proposing mutually beneficial terms for attracting foreign investments; ensuring economic security of the country.

The analysts have long identified a heavy resource bias in the structure of Russian export. It makes the country vulnerable to the world market changes and threatens economic sustainability. The experts, we believe, are right to be alarmed [19], and export restructuring together with the development of universal mechanisms of external economic activity management at the regional level should be prioritized.

With its unique geopolitical make-up, complicated economic structure and almost universal possibilities that serve as a growth multiplier, the city of Saint Petersburg has become a valuable subject for researchers analyzing international policies of the regions.

In this article we focus on the system of Russian regional “offices” abroad, an institution that has been in place for more than a decade. Saint Petersburg enjoys the widest ranging network of such outposts, and has more representatives promoting its image abroad than any other Russian federal entity, including the city of Moscow, the Moscow region, Tatarstan and
other internationally active regions of the Russian Federation. Information and Business Centers (or IBCs), as such offices are officially called, are institutionalized with the help of local legislature. Of September 20, 2004, the Government of Saint Petersburg issued the decree No. 1584, *On the Establishment and Development of Information and Business Centers of St. Petersburg Abroad*; in the nine years after the degree, 21 IBCs were established in various partner countries [24]. The initial document describes the IBCs as permanent Saint Petersburg expos, whose staff have the right to provide marketing and consulting services to its clients [25]. A ‘follow-up’ degree No. 36, adopted on January 19, 2006 and amended on December 11, 2013, talks about 18 IBCs in a number of countries. Most of the centers are located in Europe, although there are some in Australia, USA, and Israel. Other countries that currently host IBCs of Saint Petersburg include Armenia, Great Britain, Italy, Kazakhstan, Latvia, Lithuania, Norway, Ukraine, Finland, and Estonia. Half of all IBCs are stationed in the Baltic Sea area. There are four in Finland alone (Turku, Kotka, Hameenlinna and Jyväskylä municipalities), two in Estonia (Kohtla-Järve and Rakvere), and one in Vilnius, Riga, and Oslo each.

According to the website of the Committee for External Relations of St. Petersburg, since 2007 IBCs have been conducting seminars, presentations, round tables on the matters of cooperation in the spheres of culture, economic and social development. In 2007, they held a joint Russian-Estonian-Finnish forum, “The Role of Information and Advertising in the Development of Cross-border Tourism, Entrepreneurship and Cooperation” and an international seminar on the *Morskoy Fasad* passenger terminal development between the twin cities of Hamburg and St. Petersburg. In 2008 the number of IBCs increased, and the 13 centers conducted 40 different events for more than 1,500 top managers and experts from Saint Petersburg and its partner countries. Among these we should mention “The Days of St. Petersburg” in Jūrmala and Jyväskylä; Russian-Estonian-Finnish seminar on tourism and culture in Kotka and Imatra; a seminar on subconsulting in metal processing industry, power industry and construction (held in Kohtla-Järve, Estonia).

In 2009, Saint Petersburg launched new IBCs in Hameenlinna, Haifa and Vienna. The most significant event of that year was a study visit of the members of Russian and Finnish Marine Assemblies and representatives of the Marine Department of the city government to learn about waste burial and processing. Hamburg IBC was especially active in organizing visits of both St. Petersburg government officials and business community members to the regions of Germany.

In 2010—2012 IBCs in Finland and Estonia were traditionally active; a number of significant of events were organized by the IBCs in Vienna, Hamburg and Haifa.

In 2013, most of IBC activity condensed around the Baltic Sea. In Riga, the Rosbalt news agency (IBC SPB operator) helped organize round tables and hold discussions with the participation of Riga City Council and the Russkiy Mir Foundation. The IBC in Riga also commissioned more than
40 articles and other news segments in the local media to showcase the activities of the center. In the same year, the Riga IBC initiated a Russian culture festival, the Days of Russian Culture in Latvia.

The Vilnius IBC organized round tables on rail connections and direct flights between Saint Petersburg and Vilnius. The round tables also served as a forum to discuss the future of cooperation in the development of tourism.

The Norwegian-Russian Chamber of Commerce in Oslo hosted a number of informational seminars on the recent changes in the Russian investment policies, as well as on the investment and business climate of St Petersburg.

There are many other examples of positive impact of SPB IBCs, which make these centers a successful mechanism of international outreach of the city of Saint Petersburg. Our analysis of the IBCs shows that these offices have gradually expanded their function beyond “Saint Petersburg expo centers” abroad, and have actively facilitated the creation of a very positive investment image of the city.

This work, however, can be further strengthened in a number of ways. The development of the legal framework regulating the activities of IBCs abroad should become the first priority. Another important improvement could imply the introduction of custom-made software connecting the centers in one database. The Investment Committee of Saint Petersburg has already employed these ideas by creating two investment platforms of the city in Monaco and China.

There are several possibilities for continuous development of foreign offices of Saint Petersburg, which should be actively explored for several reasons. Saint Petersburg, as a “federal city”, plays an important role in the development of Russian economy, in the promotion of the country’s positive image abroad, and in testing new forms of economic cooperation with adjacent areas.

As we have already proposed, it is the legal aspect of the process that should be prioritized. The development of proper legislative and regulatory framework will determine the success of practical implementation of innovative solutions both in business and public governance. Cultural and social cooperation are somewhat immune to these issues, but any attempt at fruitful collaboration in business and economics currently meets a lot of institutional resistance arriving in the form of customs regulations, overlapping federal/regional mandates, budget allocations, and conflicting international agreements, among other concerns.

Back in 2001, the Russian Ministry of Foreign Affairs adopted a conceptual plan of harmonization of international and external connections of Russian federal entities, which could be viewed as a formal acknowledgement of the regions' contribution to the development of federal foreign policy. The harmonization was to be carried out on the basis of several important documents: The Constitution of the Russian Federation; a number of laws governing the division of spheres of influence between the federal government and regional authorities; and a federal law “On the
Coordination of International and Foreign Economic Relations of the Russian Federation”, which has a provision (detailed in Article 10) for individual regions to have representation abroad.

Having received an approval from the Ministry of Foreign Affairs, an individual region can open its office abroad on the basis of a mutual agreement between relevant regional authorities — an administrative body of the Russian region and its counterpart representing the host region. This arrangement must meet only two conditions: the office cannot perform consular or other diplomatic duties, and it should be headed by the citizen of the Russian Federation.

A number of departments within the Ministry of Foreign Affairs (namely, the Legal Department, the Regional Liaison Department) collaborated with the Parliament and Non-governmental organizations to develop standard provisions regulating the organization and operations of regional representation abroad [27]. The document outlines general principles of establishment and further development of regional offices abroad stressing their role in the economic, scientific, cultural and humanitarian representation of the Russian Federation. While the activities of regional offices abroad are financed by the corresponding regional budget, the offices are encouraged to carry out for-profit projects and activities.

Regional offices abroad are vastly different on the type and structure of financial support that they receive (as noted above, they can be financed from the regional budget and undertake commercial projects); on the legal framework regulating their activities; on the degree of freedom their mandate gives them, and, consequently, on the degree of control from the relevant regional authorities. To illustrate, let us look at the two foreign representations: those of Moscow and Tatarstan; both offices have more than 10 years of operational experience.

Moscow has its official representation in Abkhazia, Armenia, Belarus, Ukraine, Bulgaria, Latvia, Kirgizstan, Lithuania (this office is currently being established). All of the offices are functioning within the structure of the Department for Foreign Economic Activity and International Relations of the Moscow Government [28]. Their activities are regulated by the Moscow House Organizing Strategy. The Moscow Houses abroad have different legal status — including the one of a legal entity either belonging to the City of Moscow or the one where the City of Moscow is the major stakeholder. The Moscow Houses are generally self-sufficient and generate enough income to support and maintain themselves. Each office has its own plan of business operations that lays out its profit from — and budget for — its principal activities. Every office has its own web-site that is regularly updated with relevant information.

The Republic of Tatarstan has offices in Azerbaijan, Kazakhstan, United Arab Emirates, Turkey, Turkmenistan, Uzbekistan, Ukraine and France. The President of Tatarstan appoints the heads of offices and issues formal documents regulating the activities of the offices. These activities are financed directly from the Republic’s budget; and the number of staff is determined by the Cabinet [29].
The city of Saint Petersburg has a wider foreign representation than either Moscow or Tatarstan. The decree No. 1584, On the Establishment and Development of Information and Business Centers of St. Petersburg Abroad, issued by the Government of St. Petersburg on September 20, 2004, lays out the main principle of the IBC’s financing. According to this document, budget allocations can only be spent to provide content for St. Petersburg expo centers abroad and to conduct certain types of events on the premises of the IBCs. Paragraph 4.2 of the decree provides for special budget allocations for the development of the website informing of the SPB IBC activities. However, this task has not been carried out. Judging from the viewpoint of extensive regional policy, the strategy employed for the development of SPB IBCs seems universal enough to ensure the establishment of mutually beneficial economic relations, which becomes more apparent if one takes into account the administrative resource involved in the process. To further maximize the effect from the IBC operations, we would suggest modernizing the existing legal framework so that it would fit the context of contemporary situation in external economic and political activity of the country.

Economy will probably play a major role in choosing specific aims and objectives for individual IBCs. The resulting strategy and activities will depend on the status of the economic and trade relations between the city of Saint Petersburg and its foreign partners.

St. Petersburg should probably have a special status in the system of international economic relations of Russia. It can also be a strong player in the economy of the Baltic Sea area. A favorable combination of economic, geographical and political factors has already made Saint Petersburg one of the leaders in foreign economic activity in the country. Yet there is also some room for concern. Looking at the structure of trade, we can see that what gets exported from the city are raw materials. Moreover, not all of these raw materials even come from the city itself, but, coming from elsewhere in Russia, are “domesticized” through oil, metal and chemical producers registration as residents of St. Petersburg. This, in our view, is one of the main disadvantages of the city’s export strategy. Let us now compare some of St. Petersburg’s foreign trade data that we have found.

According to the Northwest Customs Department of the Russian Federation, in 2013 the foreign trade turnover of the city of Saint Petersburg amounted to $54 billion; with $19.1 billion worth of export, and $34.9 billion worth of import. So the share of export in the structure of foreign trade for that year was 35.4% against 64.6% of import, which translates into $15.8 billion of red balance. 97% of trade was conducted with non-CIS partners, with only 3% of all activities carried out within the CIS boundaries. The three biggest trade partners of St. Petersburg are China, Germany and Finland.

The Rating of Export Companies contains statistics about 100 biggest export companies of the Russian Northwest. According to this report, published in 2013, 49 of these companies were registered in Saint Petersburg, and together accounted for $13.7 billion worth of exports — that is, 72% of the city’s gross exports. Those companies, however, produce their goods way outside of the city of Saint Petersburg — and sometimes even outside of the Russian Northwest. SIBUR holding, Gazpromneft Marine
Bunker, NORMETIMPEX JSC and other representatives of oil and gas, chemical, metal processing, timber, tobacco industry exemplify this arrangement. At the same time, Saint Petersburg is the national leader in the export of technology, which is explained by a large share of arms and other military exports. United Shipbuilding Corporation, for example, was the third largest overall exporter in 2013, and its exports alone amounted to $2.5 billion [10].

Further analysis of the 2013 data revealed the following characteristics of external economic relations and international trade of the city of Saint Petersburg:

— the city traded with more than 180 countries;
— the top ten of these countries accounted for 60%, or $32 billion of the overall volume of trade for that year;
— volume of trade with China was 1.7 times bigger than that with Germany;
— volume of import from China was 16 times bigger than the volume of export to it;
— top export directions for Saint Petersburg were the Netherlands, Finland, the Czech Republic, and Germany;
— China was the leading import partner, followed by Germany, both Koreas, Japan, and Finland;
— 23 countries accounted for 30% of all trade turnover; these were: the USA, Estonia, Ukraine, Latvia, Spain, Poland, Vietnam, Sweden, Turkey, Brazil, India, Norway, Belgium, Taiwan (China), Ecuador, Denmark, Croatia, Canada, Switzerland, Lithuania, Chile, Portugal and Thailand [30].

Structurally, minerals and oil and energy products accounted for 80% of the overall St. Petersburg exports in 2013. This represents a vastly different scenario from the one that is declared in a number of official strategies, which (at least on paper) aim to put Russia on the path of innovational development.

Our analysis of external economic activity statistics makes us doubt the long-term social and economic stability of Saint Petersburg. The city increasingly depends on imports for its food and technology supply, which is a problem that calls for immediate solutions. Moreover, the (rather one-dimensional) structure of exports demands further efforts to develop production of goods with higher added value.

Efficient management of foreign economic activity should include the development of measures to increase innovative production, achieve total import substitution nationwide, advance non-oil and gas exports to external markets. To this end, in 2013 the Government of the Russian Federation adopted the Roadmap for Russian Exports Promotion.

In our view, the challenges listed above can only be met through a continuous constructive discussion between partners of different status and at different levels. This discussion should be facilitated through the varying types of regional representation abroad, in the foreign markets. Thus, Saint Petersburg IBCs can work to deliver timely and correct information about the demands and capacities of economic systems of different Russian regions.

Institutionally, it is very important to be clear as to exactly which regional authorities are responsible for coordinating activities of SPB IBCs abroad, for giving them mandates and promptly solving any tasks that may arise in connection with IBCs activities.
From the time of its inception in 1991, the Committee for External Relations of St. Petersburg has been performing the following tasks:

— implementation of the government policy of St. Petersburg in the sphere of the development of external relations of St. Petersburg, interregional cooperation of St. Petersburg;

— coordination of activities in the development and implementation of international technical assistance and business cooperation programs, including those related to the development of the city economy, social sphere, education, culture and healthcare in St. Petersburg;

— coordination of activities in the organization of participation of citizens and organizations in interregional and international conferences and other interregional and international events held by the executive agencies of the St. Petersburg government;

— implementation of the government policy aimed at support and development of ethnic cultures, languages, traditions and customs of the communities residing in St. Petersburg;

— organization of work to support the compatriots living abroad and to use their potential for the development of relations with foreign countries.

All of these functions correlate — to a degree — with the activities of IBCs; the offices that, in 2004, were specifically created to promote the image of St. Petersburg abroad. In 2013, the city budget allocated 0.1 %, or 343 million rubles to finance international and interregional cooperation [32]. It is easy to conclude about the efficiency of budget spending — or, rather, a lack thereof. The kind of funding is hardly sufficient for attracting investments to the city and even for dissemination of information about St. Petersburg abroad. Presentations that are made possible through these allocations do have a positive effect, but the financing still falls in the range of expenses on representations and cannot be considered efficient in the long-run.

What the city needs is the coordinated effort of its many committees, congress and expo centers, and chambers of industry and commerce to transform IBCs into versatile and efficient economic and political tools to be used by the government of the city of Saint Petersburg to strengthen and further develop the city’s international relations.

Neither improvement and further promotion of Saint Petersburg’s positive image abroad, nor progressive development of foreign economic activity of the city is achievable without continuous and intensive policy-making aimed at insuring the availability of information about the city. The resulting executive decisions should guarantee the city’s development as the international attraction center for research, education, culture, industry and business. The collection and analysis of data on business and investment proposals from the interested parties in St. Petersburg is an urgent must; as is the collection of data on economic and social conditions in the city’s partner regions.

The city should regularly initiate its own information and presentation events, and actively participate in various forums and conferences with updated reports on the social and economic development of the city of Saint Petersburg and its industries. One of the provisions of efficient information policy calls for dissemination of information about St. Petersburg’s deve-
Development strategy and for providing with regular updates on statistical and analytical data on the main descriptors of the social and economic development of the city.

Interaction with mass media should also be prioritized. Though press-conferences, interviews, reports and analysis, networking with St. Petersburg journalists and regular press-visits to Saint Petersburg, journalists from the host regions should be actively involved in publicizing of IBC events. IBC activities should be followed up in high quality reviews and publications in both traditional and electronic media, which will ensure continuous flow of up-to-date relevant information about the possibilities of cooperation with the city of Saint Petersburg. One of the main tasks in activating the media awareness of IBC-related events is the establishment of a viable Internet portal with full access to all necessary information about the city’s external economic relations.

Saint Petersburg Information and Business Centers have successfully gone through the phase of inception, and are now ready to be modernized and used as an efficient tool of promotion of the city’s goods and services to external markets, of disseminating official information on the possibilities of cooperation with Saint Petersburg, and of implementing the city’s international policy abroad.

Our study has lead us to the following proposals on the improvement and reestablishment of IBC network abroad:

1. All SPB IBCs should serve as authorized representational offices of St. Petersburg abroad reporting directly to the Committee for External Relations.

2. IBCs should perform two main tasks: a) intensify the external economic relations of Saint Petersburg, and b) represent the interests of the city in economic, research, technical, cultural and humanitarian cooperation. In the end, following through with these tasks will lead to the development and promotion of the positive image of Saint Petersburg abroad.

3. The city should open its IBCs in all Baltic Sea states, and increase their representational and economic mandate. This will help strengthen the Russian Northwest in its economic ties with adjacent countries.

The strategy of IBC optimization will largely depend on their new geography. Having four IBCs in Finland and two IBCs in Estonia — given that they are located in the border regions — is logical. However, it would be even more productive to further increase the IBC network by launching offices in larger, technologically advanced cities such as Tallinn or Helsinki. It makes both political and economic sense to open new IBCs in the capitals of partner countries rather than on their periphery. Yet at the moment such long-term partners of Saint Petersburg, as Germany, Poland, Sweden, the Netherlands do not host any of the IBCs at all, which we think is a serious blow to the city’s image.

By June 1st, 2014 no other Northwestern region of Russia established its office abroad, although there are provisions allowing this in the federal legislation. The Saint Petersburg experience can be disseminated to other regions. At the same time, solving social and economic development problems through increasing external economic capacity of the region is only possible
on conditions of intensive cross-regional cooperation and highly coordinated international policy activities of various regional authorities. Only this scenario can ensure efficient use and management of the competitive advantages of the region [2].

Modernized IBCs should become a breakthrough tool for increasing of external economic efficiency of Saint Petersburg abroad built with the understanding of the city’s investment attractiveness as the second most important metropolitan area in Russia. With necessary amendments to the current legislation, it should be possible to achieve more balance in financing the IBCs: for example, though the introduction of a private/public partnership arrangement.

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