THE IMPACT OF THE CURRENT GLOBAL FINANCIAL CRISIS ON THE TRADE COOPERATION BETWEEN THE SLOVAK REPUBLIC AND THE RUSSIAN FEDERATION

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ABSTRACT
The aim of this thesis is to analyze the impact of global economic and financial crisis on the trade cooperation between the Slovak Republic and the Russian Federation, with an emphasis on received anti-crisis measures of the Russian government. We also define the most important areas of cooperation between the Slovak Republic and the Russian Federation. The result of solving issue is assessing the impact of anti-crisis measures taken by Russia on current cooperation as well as the opportunities for its future development.

KEY WORDS

JEL classification: F10, F49.

INTRODUCTION
Current economic and financial crisis can be considered as one of the biggest challenges for the sustainability of the process of globalization. In the beginning it was seen as the crisis which relates solely to the U.S. Later it has been shown that it is the most serious economic crisis since World War II, mainly for its negative impact on the global economy. The global economic and financial crisis hard intervened the world economy, including Russia and Slovakia. The impact of the current global financial crisis on the common trade cooperation between the Slovak Republic and the Russian Federation is highly actual topic because although the global economy stabilizes, the good times are still far away.

MATERIALS AND METHOD
The main objective of this contribution is to analyze the impact of the global economic and financial crisis on common trade cooperation between the Slovak Republic and the Russian
Federation, with an emphasis on anti-crisis measures taken by the Russian government. This contribution also identifies the most important areas of cooperation and perspectives for their further development in the context of the global economic and financial crisis. While writing the contribution, we used these methods of raising funds: indirect observation and the analysis of the documents. In order to achieve the main objective as well as partial targets we used the method of normative and descriptive approach to the chosen topic. From other scientific methods were used synthesis method, method of analysis and method of induction. The assessment of global financial and economic crisis’ effects led us to the formulation of conclusions relating to the development of common trade relations between Slovakia and Russia. Starting points and conclusions of this paper are more or less the valuation of existing cooperation and are based on the knowledge acquired during the study of the issue.

RESULTS AND DISCUSSION
It was expected that the financial crisis afflict the Russian economy only marginally, but the opposite was true. This was reflected in the slumping of the value of the Russian ruble against the U.S. dollar and the reduction in economic growth and industrial production. The significant losses were typically mainly in the automotive industry. In 2009, the Russian economy showed the first budget deficit. This situation forced the Russian government to formulate and then implement important anti-crisis measures for reduction these negative effects. The anti-crisis measures in Russia were divided into two groups [1, s.29]:

1. The first part is the Action Plan for the Rehabilitation of the Financial Sector and of Some Industries. It was implemented on 6 November 2008 and included 55 measures to ensure financial stability, the social support for citizens and preservation of the employment.

2. The second part is the Anti-crisis Program of the Russian Government formed in 2009. It contains 170 items and identifies new priorities such as the need to promote innovation and structural changes in the economy, creating a better climate for the next growth in the economy and need to remove the obstacles in the business environment.

The anti-crisis program in Russia was the optimal combination of the anti-crisis measures and long-term projects and strategies for creating more efficient economy. The aim is to secure the macroeconomic stability, the stability of the currency and the gradual reduction of the inflation, too.

The Slovak Republic is interested in developing partnerships and transparent relations with the Russian Federation, not only in the government level, but also in the economic sphere. These economic relations have the key importance for the development of the Slovak economy. Among the EU non member states, Russia is the most important trading partner for Slovakia [2]. The
Slovak Republic as the country with strong economic potential and built transit infrastructure is important wholesale of Russian raw materials and ranks among the Europe's major trade and economic partners of Russia.

**Foreign trade between the Russian Federation and the Slovak Republic**

In 2009, there has been a significant decline in bilateral trade as a result of the negative impact of the global financial crisis. Since 2010 the volume of the mutual Russia – Slovak trade has the growing trend. According to Russian statistics, the sales in the period January – September 2011 increased by 41.1 % compared to the same period in 2010, the Russian exports increased by 53.7 % and imports by 17.2 %. The dynamics of bilateral trade is dependet on the prices of energy resources. Russian energy supplies to Slovakia was carried out under long-term intergovernmental agreements and contracts as well as the supplies of Russian nuclear fuel to Slovak nuclear power plants. A negative trend for Slovakia is the increasing long-term adverse balance of trade with Russia [2].

The dependence of Slovakia on imported energy carries show the goods structure of imports from Russia. The largest share of Russian exports to Slovakia in the period January-September 2011 was represented by minerals, mineral fuels, crude oil, and products of their distillation (91.8 %). The products of the chemical industry and rubber (3.6 %) were in the second place followed by machinery, equipment, transport equipment (2.6 %), and metals and metal products (1.6 %). In smaller volumes wood, cellulose and paper products, food and agricultural raw materials were exported. [2] During the last period, the Slovak Republic started to increase its export activities in the Russian Federation in manufacturing industries. The major importers are SPP Inc., Continental Matador Rubber Ltd., etc.

For the Slovak Republic is Russia one of the priority markets. The most important export items in the period January-September 2011 were machinery, equipment and vehicles (83 %), chemical products and rubber (5.8 %), metals and metal products (3.1 %), clothing and footwear (2.6 %), wood, cellulose and paper products (1.8 %) and other commodities (3 %). [2] The most important problem, remain relatively high prices of Slovak goods compared to the competitors and relatively limited opportunities in the export financing compared with the Visegrad Four.

**The Foreign Direct Investment between the Russian Federation and the Slovak Republic**

In the pre-crisis period, there was a continuous growth of Slovak entrepreneurs’ interest to invest in the Russian Federation. The main reason was huge consumer potential and many opportunities which were offered by the Russian market. At the present the growing consumption of
Russian citizens is for them attractive. The major investments in the common Slovakia-Russia cooperation are the subcompany of Grafobal Skalica, Grafobal Don in Rostov-on-Don, or the joint venture of Chemosvit for the production of packaging, Europack Inc. In the field of electrical engineering entered on the Russian market Slovak company Elteco, through the establishment of a subsidiary Elteco Global. [3]

Overleaf, the situation concered with Russian companies investments in Slovakia is not very optimistic. The only major Russian investment in Slovakia was repurchasing 49 % shares in Transpetrol by Russian company Jukos, in 2002. Other investments from Russia to Slovakia in such value did not come. In Slovakia are now officially registered about 120 companies with Russian capital, mainly trading and brokerage firms. The fact is that the Russian investors do not need Slovakia because it is small with narrow market. For the Russian Federation, the Slovak Republic represents especially the transport corridor. Globally, we can consider among the most important common projects between the Russian Federation and the Slovak Republic [3, 4]:

1. the joint venture for the production of packaging, Europack Inc.,
2. the establishment of the subsidiaries Elteco Global Inc. and Grafobal Don Inc. in Rostov-on-Don,
3. the formation of the proton therapy complex of Cyclone Centre in Slovakia (Ružomberok) in collaboration with the Institute of Physics P.N. Lebadeva of Russian Academy of Sciences,
4. a contract between Gazprom and SPP Inc. for the supply of Russian gas for the Slovak Republic and its transit through the Slovak territory,
5. the extension of the current contract between TVEL and Slovenské elektrárne Inc., for the supplies of nuclear fuel to Slovak nuclear power plants for the period 2010 – 2015,
6. a contract for the supply of nuclear fuel for the third and fourth units of the Mochove Nuclear Power Plant,
7. a contract about production and technological cooperation between Russian Railways Inc. and Slovak company Tatravagónka Inc.,
8. a contract about establishment a joint venture for the production of flat wagons between the Russian holding company TMH Vagonstroj and Slovak company Tatravagónka Inc.

From 2006 to 2008, the state of FDI from Slovakia to Russia increased. In 2009, there was a decline, as a reason of the global financial crisis. Currently, Slovak FDI inflows to Russia is growing and this trend is probable in the future. Those investors who have had experiences with Russian market expand their operations and expect the arrival of new investors. [5]
Overleaf, the state of Russian FDI in the Slovak Republic is negligible. The Russian investors are not interested in Slovakia, although it appears that the Slovak Republic fulfills the requirements to be a perspective partner. The proof of this is the cooperation in nuclear energy, particularly in the construction of the reactors for the Mochovce Nuclear Power Plant. The stable investment environment in Slovakia, a direct access to European Union markets and relatively close geographical distance, are just a few attributes that may be advantages for the Russian investors.

The analysis showed that implementation of anti-crisis measures by Russian government has uncovered number of interesting investment opportunities for Slovak entrepreneurs. The most important areas of cooperation include:

- cooperation in the automotive industry,
- cooperation in the polygraphic industry,
- cooperation in the field of the energy supply,
- the transport cooperation efforts,
- cooperation in the financial sector,
- cooperation in the construction industry.

The automotive sector is one of the major industries in the Russian economy, which employs more than 600 thousand people. As well as in Slovakia also in Russia, the automotive sector ranks among the sectors that have been hardest hit by the financial crisis. Based on information provided by the Russian Statistical Office Rosstat, car production in Russia decreased in the first eleven months of 2009 by 60.4 % year on year. [7] The Russian government has
provided the package worth more than 1.1 billion USD for automotive industry recovery. This one should mainly help companies with huge financial problems but also introduce new program for providing loans to people buying new cars. In March 2010, the Russian government introduced the program of car scrapping subsidy, for which it was allocated 342 million USD. The Russian government has contributed 1 750 USD to every resident who decided to change his car older than 10 years for new one. [7] The Russian government has adopted a package with aim to to revive and restore the growth of the automobile sector in Russia, which consisted of the following measures [7]:

- the government subsidies in the form of paying 2/3 of the average interest rate (8.6 %) to the buyer, who decided to buy a car, which the value is less than 350 000 rubles (about 11 680 USD),
- providing the financial support in the amount of 1 750 USD to citizens who decided to buy the new vehicle,
- the increase of import duties on foreign cars more than 30 %, depending on the size of the engine,
- the introduction of a tax on the purchase of used cars,
- the state contracts for the purchase of cars in the amount 2.5 billion rubles (about 417 million USD),
- direct support for carmakers AvtoVAZ, GAZ, SOLLERS, etc. in the amount 25 billion rubles (about 834 million USD),
- the abolition of double payment of VAT, etc.

This anti-crisis measure was very helpful for growth of automotive market in Russia, which returned to pre-crisis level. The stimulation of the automotive industry by Russian government was absolutely positive for carmakers in Slovakia. Again, there was a growth in demand for import cars, from Slovakia, too. The import of cars from Europe, including Slovakia, enjoys enormous interest in Russia. As a result, Slovakia should develop trade relations with Russia, which appears as a market with huge potential and possibilities for long-term cooperation.

The huge investment potential in the Russian market seems to be in the energy sector. Russia has realized the need to reform this area, which may be the same incentive for foreign investors, including the Slovak Republic. In 2009, the Russian government adopted a new energy strategy up to 2030. This strategy stresses the importance of energy security and promises huge opportunities for investments especially from private sources to expand the production capacity as
well as the infrastructure and energy efficiency.[8] The main objective of the strategy is to reduce energy consumption by 2030, up by 56 % compared to today, ensure energy security of the country and its regions, ensure the safety and reliability of operations, ensure energy supply, but also to ensure the innovative restoration of this industry sector and to liberalize of energy prices. In order to achieve this strategy, the Russian government plans to invest 60 billion rubles. Since 2013, it will be up to 5.5 % of GDP. The energy companies receive guarantee from the Russian government for stable and profitably work, but the right to use the long-term benefits of energy market deserve only those companies that will strictly fulfill its obligations and invest money in the construction of new facilities and modernization.[9] Here we can see potential opportunities for Slovak companies, especially these, which in the Russian market are already operating.

New possibilities for Slovak Companies also incurred in the transport, too. In 2008, the Russian government adopted The Strategy of Development of Russia's Transportation and Logistical Infrastructure up to 2020, which plan is to create a single transport area and its integration to the international transport systems. The main objective is to improve safety and ecology of transport, modernization and increase competitiveness. In addition, Rail Transport Policy up to 2030 was accepted, which envisages the construction of 14,000 km of new lines until 2015.

The most important point of the modernization in Russia is the extension of the railway network. The Railways are the backbone of the national transport system of Russia, which now covers 20 % of rail freight of the world. The main objective of this strategy is: "The Russian Federation should become to 2020 the largest economy in Europe and the fifth largest economy of the world." [10]

The main objectives of this strategy are following [10]:

- increase of freight transport until 2030 by 70 %,
- increase speed of delivery by 26 %,
- increase speed of delivery of the container 370 %,
- increase in exports of transport services by 360 %, compared to 2000,
- investing 381 billion EUR over the period 2008-2030 to modernize rail infrastructure,
- construction of 20 550 km of new railway routes,
- construction of 35-40 new strategic terminals in key locations,
- purchase 29 558 new wagons for personal transporation.

This strategy also helped to strengthen the trade cooperation between the Russian Federation
and the Slovak Republic. In 2010, three agreements on cooperation among Slovak company Tatravagónka, Inc. and Russian partners were signed [11]:

1. The Agreement with Russian Railways about scientific and technical cooperation of joint venture Engineering centre,
2. The Agreement with Russian Railways establishing a joint venture in designing and manufacturing the freight wagons,
3. The Agreement with the holding company TMH Vagonstroz to establish a joint venture for the production of flat wagons.

The important fact is still that the railway industry reacts to the crisis belatedly, because the purchase of wagons is the long-term investment over 30 years.

The interesting options for common cooperation incurred in Russian construction sector.

The construction industry in Russia has been hit hard by the global economic downturn. The slowdown of the construction market began in 2008 and intensified in 2009. Most of the buildings were suspended and virtually no new projects on residential or commercial real estate were initiated. In 2010, there has been a stabilization of the construction market and in the second half of 2011 reported the Russian construction sector finally growth. It was the result of received measures of the Russian government. [12]

Chart 2 The Development of the Construction in Russia (in billion rubles)

![Chart 2](chart2.png)


According to former Russian President D. Medvedev housing construction in Russia is currently one of the real ways of overcoming the crisis. The Russian government will refinance up these projects through public-private partnerships. The support of the housing construction is very important part of the anti-crisis policy, such as the projects of the infrastructure development. The
government will support the people who have taken mortgages, lost their jobs due to the crisis, or are in difficult life situations. The Russian government is trying to stimulate this area, resulting in progress in the demand for housing in Russia. The Slovak companies could have up the advantage in applying for the investment opportunities, because some of them already have previous experience on the Russian construction market. Among these companies there are companies such as Váhostav - SK, Stavbymontáže Inc., Novosedlík Ltd., as well as building design company Proma Ltd. [4, s.89] The company Novosedlík Ltd. realized construction works not only in Slovakia but also abroad and focus on building a comprehensive industrial, logistic, residential and polyfunctional buildings and reconstructions. The company participated in housing construction in Moscow, more precisely in construction of residential building with 385 apartments and commercial spaces.

The foreign (include also Slovak) construction companies have long-term potential for enforcing in the Russian market for a number of reasons [13]:

1. In 2008 a decrease of the house prices was recorded, which was accompanied by a significant decrease in the volume of transactions in real estate and almost complete freeze of mortgage loans. In the second quarter of 2010 recovery was recorded. The average price of 1 m² in newly built apartment in Moscow is 142 800 rubles (about 4 720 USD), which is about three times more than the national average.

2. The Russian Federation was and still is a country of unfulfilled demand for housing. The housing stock per capita in 2008 was only 22 m², compared with about 70 m² in USA.

3. The Russian government provided 80 billion rubles for the Agency for Housing Mortgage in 2008 - 2009. The government also provided federal loan in the amount of 83 billion rubles to National Housing Fund to purchase low-cost flats.

**CONCLUSION**

The Russian Federation surely ranks among the perspective markets and shows huge potential for investment and future growth. Almost every foreign market (not excluding Russia), has its own specifics that should be known by any acceding foreign investor. This requires detailed knowledge of the market, evaluation of all risks and formulate business, marketing and logistics strategy. These risks, that are directly related to business in the Russian market are smaller when investors collaborate with people who know the local conditions or they use the services of local agencies at the beginning.
The relations with the Russian Federation have important place in Slovakian foreign policy and represent integral part of her priority orientation. Overall, the bilateral relations between these two countries are based on mutual benefit, and their goal is to continue to develop and deepen business - economic cooperation.

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