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N.I. Didenko, A.S. Dudnikov, D.F. Skripnyuk**RUSSIAN'S REGION THE ECONOMIC STRATEGY
UNDER THE GLOBAL ECONOMY EVOLUTION****Н.И. Диденко, А.С. Дудников, Д.Ф. Скрипнюк****ЭКОНОМИЧЕСКАЯ СТРАТЕГИЯ РЕГИОНА РОССИИ
В УСЛОВИЯХ ЭВОЛЮЦИИ ГЛОБАЛЬНОЙ ЭКОНОМИКИ**

The article discloses the principles of forming foreign economic strategy of a region in the face of general and regional integration of the Russian economy into the Global Economy. The authors focus on the aims and priorities of the foreign economic strategy of regional development. The article emphasizes the role of innovation technology factors in the economic development of a region.

FOREIGN ECONOMIC STRATEGY OF A REGION. INNOVATION TECHNOLOGY DEVELOPMENT FACTORS. GLOBAL ECONOMY.

Раскрыты принципиальные подходы к формированию внешнеэкономической стратегии региона в условиях общей и региональной интеграции экономики России с глобальной экономикой, выделены цель и приоритеты внешнеэкономической стратегии развития региона. Отражена роль инновационно-технологических факторов в развитии экономики региона.

ВНЕШНЕЭКОНОМИЧЕСКАЯ СТРАТЕГИЯ РЕГИОНА. ФАКТОРЫ ИННОВАЦИОННО-ТЕХНОЛОГИЧЕСКОГО РАЗВИТИЯ. ГЛОБАЛЬНАЯ ЭКОНОМИКА.

The most important process having a significant impact on the future of mankind is globalization. The result of globalization in economic sphere is creating global economy. Global economy is a multi-level, multi-aspect, and highly non-uniform system, which owns an assortment of properties based upon openness of national economies, economic integration, competition of national economies, and production transnationalisation.

The integration of a country into the global economic system manifests itself in two forms: general integration and emerging regional economic alliances of countries. General integration means accepting and using the rules, standards, and procedures accepted globally within a certain country. An example of general integration is Russia's joining the WTO and using the rules and procedures accepted in multilateral international agreements. The establishment of the Customs Union of the Euroasian Economic Community is an example of regional integration.

Russia's Integration into the global economy has generally been spontaneous. In Russia the economy has been built on the undervalued

exchange rate of the rouble, which made it possible to give the competitive edge to the goods whose natural properties meet the demand in the world market. This produced a relatively high-yielding export primary-commodity market (extractive industries) and low-efficiency home-orientated sector (manufacturing, farming, infrastructure industry, education, health care) in Russia and caused a striking disparity of Russian regions, with the WTO membership entailing further differentiation.

The character of Russia's integration into the global economy is non-optimal, which is expressed in two facts: firstly, Russian economy is highly dependent on the fluctuations of the world economy growth and the conditions of the world markets for primary sector products. Secondly, while having rather high GDP growth rate due to the primary exports and the petrodollar inflow, in practice, Russia's economy is growing less and less competitive in the international market.

In these circumstances, it is essential for a regional economy to create a new foreign economic strategy, aimed at the effective integration of the region into the world economy

and tapping the potential of foreign economic activity to enhance competitiveness and the sustainable development of the region.

The aim of the foreign economic strategy of a region is to develop potentials of an individual in the region, which involves enhancing the competitiveness of regional economy through the development of its competitive advantages.

In the most general way, one can get an idea of the competitiveness of a region with reference to the potentials of an individual from the following definitions. [3]

The competitiveness of a regional economy is the ability of the regional economy to obtain production factors or use the existing ones with a view to develop potentials of an individual compared to other regions. Such understanding of the regional economy competitiveness defines the national economy competitiveness as the possibility of the national economy to obtain production factors or use the existing ones with the aim to create a high and improving standard of living of the society and to avoid the striking disparity of regional competitiveness in comparison with other countries.

The development of potentials of an individual in a region implies the following points: an individual should live long, be educated, have an income higher than minimum wage which enables them to have a decent standard of living.

For the quantitative regional competitiveness estimation, the following indicators are suggested and derived from the above definition of the individual potentials development.

The assessment of the development of individual potentials is based upon two main characteristics of individual development (a) and (b) plus two specific regional characteristics (c) and (d): a) life expectancy in the region measured with life time predicted at the birth date [1]; b) education in the region measured by the literacy level among adults, and the percentage of students among children and young people aged 7–24; c) poverty in the region measured by the percentage of people living below the poverty line; d) income in the region measured by the indicator of Gross Regional Product per capita.

The foreign economic strategy of a region should take into account all other factors connected with globalization: an industry-specific and technological structure of the global economy,

a growing internationalization of production-marketing chains, and an intensification of integration processes in the global economy.

The way to implement the foreign economic strategy consists of building the economy of a region into the global economy and globalization processes to use foreign economic factors for the benefit of the socio-economic development of the region.

Fig. 1 shows a general pattern of the proposed mechanism for building foreign economic strategy, monitoring its implementation and introducing the necessary changes that come from the current events in the world economy and innovation technology development as well as a mechanism for implementing foreign economic and socio-economic strategy of the region.

The mechanism for building and implementing foreign economic strategy includes 17 units. Full lines show the sequence of stages and dash lines represent the patterns of feedback. The mechanism contains the dynamic cycle from setting the aims of the foreign economic strategy to implementing the decisions taken as a result of comparing factual socio-economic indicators of the national and regional development as well as the indicators which should be provided by the foreign economic strategy.

There may be 8 reasons for deviation of factual indicators from the planned ones. They are as follows:

- incorrectly defined foreign economic strategy aim;
- mistakes in choosing the units of foreign economic strategy;
- mistakenly or inaccurately developed variants of innovation technology base of the foreign economic strategy; they depend on GRP structure, innovation-technology potential of the region, the availability of economic development factors in the region;
- incorrectly chosen base of innovation-technology development of the region;
- inefficient mechanism of creating and reproducing technology clusters in the region;
- mistakes in working out the variants of the foreign economic strategy on the basis of innovation-technology development;
- inaccurate choice of the foreign economic strategy variant from the host of variants; the latter depend on the directions of innovation-technology development;
- ineffective mechanism of implementing the foreign economic strategy.

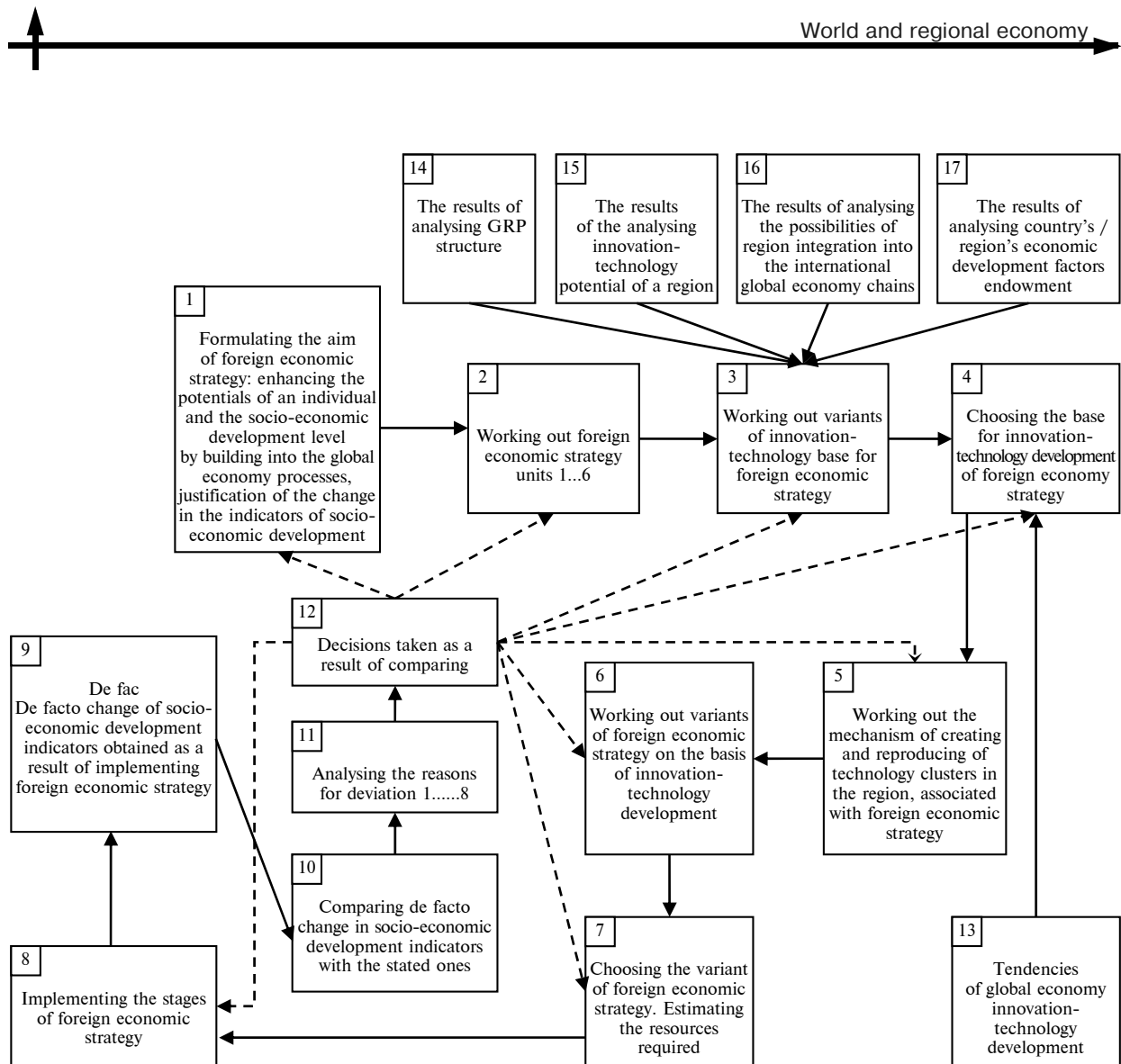


Fig. 1. General pattern of the mechanism for forming and implementing foreign economic strategy

Any problems of interrelation between the elements of the mechanism should be solved in a cyclical procedure.

The proposed ideas that should be implemented in the foreign economic strategy are concentrated in the units of the strategy the number of which corresponds to the number of global economy model components. Fig. 2 shows structural units of the foreign economic strategy in a general way.

Depending on the specific nature of the region, the firms taking part in international trade, their industrial and geographical sphere it is possible to single out the following units of the foreign economic strategy:

- product and geographical diversification of exports creating forms and mechanisms of diversification;

- creating international production-marketing chains in partnership with Russian residents, building into international production chains;

- creating the pattern of attracting investors into the national economy (development of certain stages of technology cycle, development of economic areas)

- creating an effective structure for intellectual activity (international intellect exchange, international licence exchange, enhancing the role of universities);

- development of import-substituting production (import of technology equipment, encouraging the development of import-substitution);

- reducing unemployment rate and the rate of expatriate workforce.

The implementation of the above mentioned units within the foreign economic strategy requires

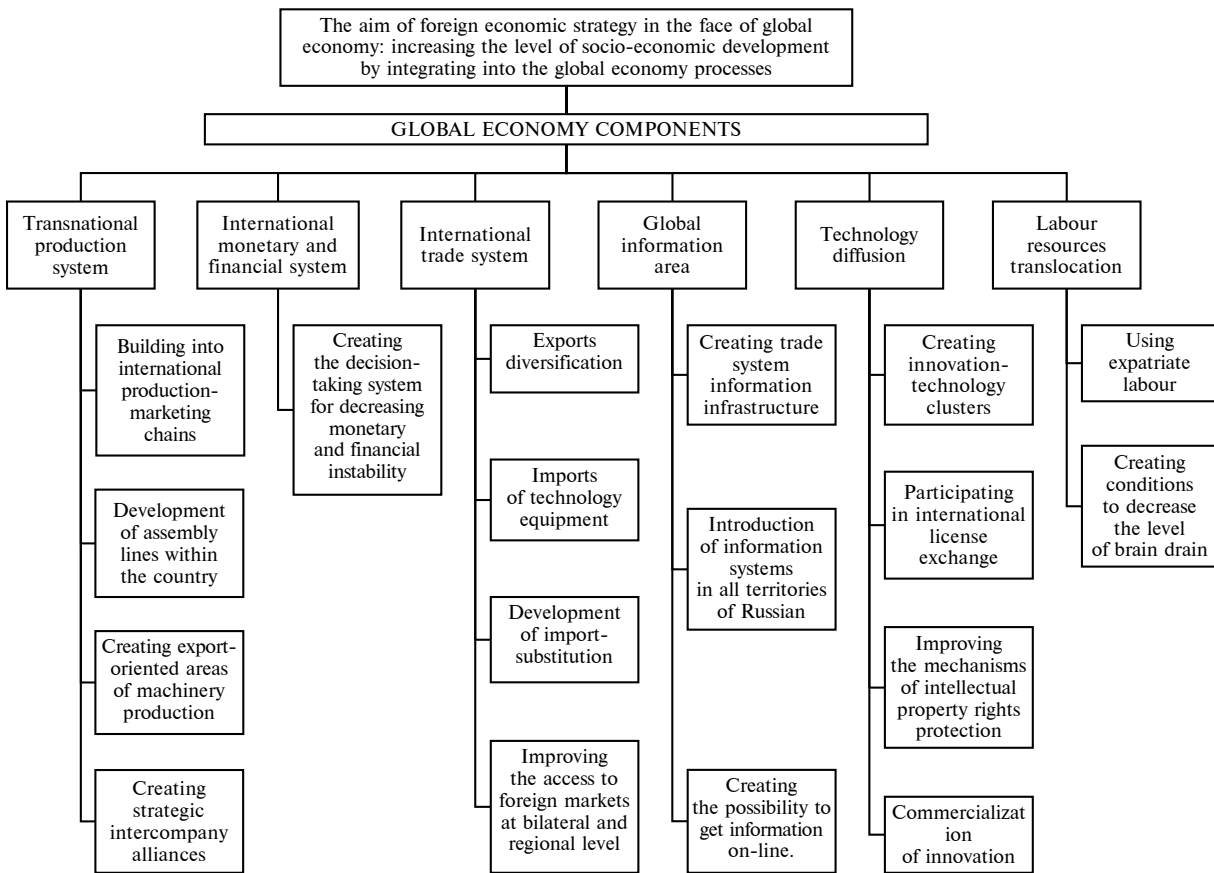


Fig. 2. Structural units of foreign economic strategy

an active participation in international and other negotiations, integration processes, building partnership relations. Bilateral and regional liberalization is, at present, an effective instrument of increasing international competitiveness and winning an edge over third countries.

An important stage of forming a foreign economic strategy is the choice of its base, which should result from the possible national and regional economic development strategy. Possible regional economic development strategies and thus the base for foreign economic strategy can be defined by giving preference to this or that set of factors. The assessment of resources exporting strategy perspectives shows that the GRP growth will be low even in the best possible conditions [4]. Then only one variant will be left, i. e. combining resources and new technology on the basis of the resource-innovation strategy. Here, the new technology in extractive and manufacturing industries can play the role of a multiplier. In future, the resource-

innovation strategy will gradually transform into an innovation-technology strategy.

The variants of innovation-technology base of the foreign economic strategy depend on the existing GRP structure, innovation-technology potential of the region, possibility of region integration into international chains of the global economy and the region's economic development factors endowment.

The central question should be the transition to the economic growth model, first of all, through the economy diversification and enhancing innovation sources of growth. The international experience of mature economies demonstrates that the structure of production and exports changes in favour of high technology products. In recent decades the world economy has seen the growing significance of complex system products, increasing part of knowledge-intensive industries, creating the market for knowledge-intensive products and services.



Analysing GRP structure and comparing innovation industry development and GRP complexes with the perspective trends of innovation-technology development of the world economy, as well as analysing the correspondence of the innovation-technology potential of the region to the perspective trends of the world economy development will make it possible to understand in which spheres the national economy is able to generate and implement new technologies, and which spheres are lagging behind.

The guideline for studying the innovation-technology potential of the region and its components is as follows:

- find out the economic agents interested in the outward-looking innovation-technology development;
- study the characteristics of the outward-looking innovative activity practiced by the economic agents;
- summarise the problems of the outward-looking innovation-technology potential development;
- work out a system of technological cooperation between companies in the sphere of innovation development – a system of outward-looking technology clusters.

Inward-and outward-looking technology clusters combining sufficient technical-scientific and technical-industrial potentials will lay the basis for the development of high-tech plants. The forecast of these markets development will be the basis for forming the requirements for the technology clusters structure. Technology clusters include business firms, state-owned companies, such as banks, stock exchanges, universities, research institutions, and factories. The organizational form of the technology clusters could be public private partnership.

The variants of foreign economic strategy are worked out on the basis of technology cluster development analysis and the choice of a certain variant is based on the resources required and the efficiency of the variant.

As a result of implementing a foreign economic strategy on the basis of innovation-technology development in the region, financial, innovation, and intellectual resources should be mobilized to radically renovate the region's economy. Foreign economic activity, in this case, will produce a multiplicative effect on all industries contributing to gross regional product

and will enhance the scope of innovation activity in the region and increase region economy competitiveness.

The idea of the transition to the economy development on the basis of innovation-technology factors is gaining popularity among politicians and business executives in Russia. However, the pace of the transition is too slow. This is explained by system and economic reasons.

The system reasons are as follows:

- absence of demand for new technology among business entities;
- absence of sound support of fundamental research from the government;
- unwillingness of business entities to support applied research;
- absence of partnership between the government, the scientific world, and the business world.

The economic reasons embrace the influence of macroeconomic structure within which the innovation activity is carried out and are as follows:

- absence of sufficient investment in innovation;
- high interest rates in the economy;
- high inflation rate in the economy;
- underestimated role of the rouble and the underestimate rouble.

One of the main factors of successful development of innovation in the country is investment into this sphere. The insufficiency of investment suppresses the development of innovation activity, which is able to influence the steady pace of growth of export-oriented and import-substituting machinery production.

Direct foreign investments are also the factors having an impact on innovation activity. They produce different effects in emerging and mature economies. In mature economies, they are an extra incentive for innovation economy development. In emerging economies, their impact on innovation sphere depends upon competition between local companies in the receiving country. In case there is a competitive environment, direct foreign investments stimulate innovation, increase productivity, stream line production process. In case there is lack of competition between local companies, direct foreign investments enjoy monopoly and have a negative impact on the economy of the recipient country.

If a country counts on foreign investments in order to develop innovation sphere, this could cause a number of problems. The central one is that foreign investors have their own aims which may not coincide with the aims of foreign economic strategy of the receiving party.

Interest rate also has a serious impact on innovation activity, and the implementation of innovation projects is simplified with lowering bank interest rate. Low bank interest rate makes capital more available, investment less risky and efficiency of projects much higher. However, a high interest rate in Russia makes it difficult to develop innovation environment. The Central Bank of Russia's base rate which shows what money is worth in the economy, is much higher than the cost-effectiveness of many innovation projects in the real economy. The 2008–2009 banking crisis dramatically lowered the level of savings accumulation, thus limiting the availability of credit resources for the innovation sphere.

The impact of **inflation** on innovation processes is crucial. There is a growth of innovations in production if the innovation efficiency growth rate is higher than inflation rate. Innovation activity is hindered when the inflation growth is quicker than innovation efficiency growth. Constantly high inflation makes innovation activity hardly probable because the company activity characterized by regular cost-effectiveness is not able to provide the money for innovation projects. It is also difficult to get credit resources for innovation activity in the time of high inflation, as investment in innovation is long-term and risky while investors are interested in projects that ensure quick return.

The impact of **rouble exchange rate** on innovation activity is multiple-valued. In general, strengthening rouble position in relation

to Russia's basic trade partners' currencies is a positive phenomenon, which shows economic consolidation. But when rouble becomes more expensive, exporters' goods become less competitive as their price expressed in foreign currency increases. The price of imported goods expressed in roubles decreases, which makes it possible to import high-technology machinery, high-precision research instruments that are otherwise unavailable. In general, a high local currency exchange rate makes companies implement innovations and encourages the flow of capital from exporting raw materials into home-oriented industries.

To sum up, the emphasis should be laid on the fact that, for the sustainable development of the region, it is vital to create foreign economic strategy which will take into account all internal and external factors connected with globalization. Besides, the government and the business community should concentrate their efforts on enhancing the processes of streamlining and intensification of economy on the innovation-technology basis.

The means of solving this problem are as follows: destroying monopoly in the economy, creating national innovation system, substantially increasing financing of fundamental and applied science, improving higher education system, lowering inflation growth rate, and strengthening rouble exchange rate so that it can encourage innovation technology development.

Unless these problems are solved, Russia, in the short term, will host mostly engineering and manufacturing operations of TNCs which bring low added value or are ecologically burdensome; besides, Russian companies will manufacture low- or mid-technology products with the majority of high-technology products being imported.

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