

Influence of Strategic Regulation of External Economic Complex of a Region on Spatial Development of the Country

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Abstract: in their article the authors investigate influence of driving forces behind development of a separate region, in particular strategic regulation of development of external economic complex of a region, on spatial development of the country. Modern trends in spatial development of world, national and regional economics are examined here. Most of the article is devoted to the mechanism of strategic regulation of external economic complex of a region which implies elaboration and realization of organizational and economical mechanism on mesoscale level.

Key words: Globalization and unevenness of world and national-regional spatial economic development • Regional economy • Regional management • Regional economic strategy • Competitiveness • Competitive advantages • Key factors of success in a competition • External complex of a region • Organizational and economic mechanism of strategic regulation of an external economic complex

INTRODUCTION

Scientific and technical revolution taking place in the second half of 20th century gave powerful urge for transformation of science into leading productive force of society which by objective reasons triggered increasing tendency in modern economy of intellectualization of production and business activity [1]. In parallel with intellectualization changes in social structure of highly industrialized countries, changes in their institutional system of business activity and in spatial organization of national economies and their regional components begin to take place [2].

Spatial changes in economy alternate business relations and external environment of corporative management, giving urge for migration processes of capital, of manpower and change the configuration of allocation of productive forces [3].

In this regard the researches of spatial organization and spatial development of socio-economical systems have become very important.

Main Part: Systematic analysis of processes of socio-economic development of modern world shows quite clearly two interrelated and in the same time opposite trends.

First one is increasing trend of globalization and integration in world economic community.

The second one is the trend of growing unevenness of technological and socio-economic development of separate regions and countries.

Globalization and unevenness directly lead to spatial development of modern economy. They form and activate two interrelated processes-regionalization and regionalism.

In modern practice of spatial and economic development term "regionalization" means business and politic union of countries and regions on the base of deep stable economic relations established in the process of deepening of separation of labour internationally.

In practical economic and political sense "regionalism" means strengthening of position of regions regarding the countries, increased intention to obtain position in the country and in more wide international community.

Interacting with each other the processes of regionalization and regionalism also interact with dynamics of economic cycles of market reproduction which influence the character and direction of these processes (Figure 1).

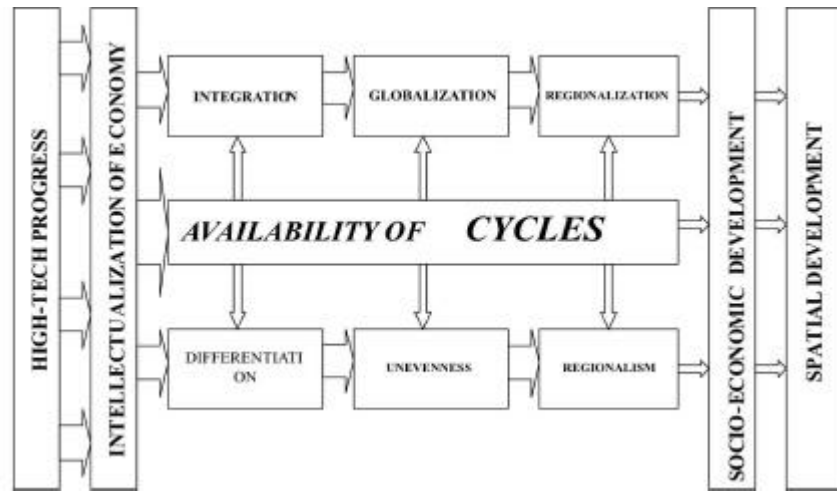


Fig. 1: Mechanism of influence of economical cycles on dynamics of spatial transformation of socio-economic systems in interaction with the processes of regionalization and regionalism.

Development of cycles reveals itself through the change of their phases. But different countries and regions enter next phases of next cycles of development of world economy in different ways, they also differently realize their opportunities, react to dangers, go out from economic crises [4].

Ability to identify properly the character of passing phase of current cycle and build effective strategy and tactics of competitive activity while passing through it is finally judged as key factor which determines modern and historical perspective of national and regional development [5].

If we look at historical development of administrative and territorial division of Russian Federation and its spatial structure we can see that present characteristics of our country are not static and frozen but they change and develop following the development of separate regions influenced by different factors.

Different combinations of factors influence development of Russian regions in different way and to different extent. The key feature of regional development in our country is more active role of low (natural) factors, first of all it is availability of mineral resources which are mostly demanded by global market (oil, gas, metals) which contradicts to modern world trends such as accelerated development of countries and regions by means of artificial (high) factors.

One of these artificial factors in the circumstances of looming globalization of world economy is developed external economic complex of region.

Regions are striving to find position in international rather than in national system of

separation of labour. In globalized world it is extremely important for countries to have not only competitive companies and technologies but the regions which are ready to accept such technologies and companies. Economic power of a country depends on possessing of centers able to control the flows on the global market rather than gross volumes of production and natural resources hidden in its land.

M. Redei believes that external economic activity influences socio-economical development of a territory and the speed of its economical growth greatly. But the choice of type of economical growth - export-orientated or import-substituting type will not guarantee that the economy of a region will develop better. It is necessary to have the whole range of conditions which facilitate increase in economic growth [6].

J. Frankel, D. Romer and T. Cyrus investigating external economical openness and economic growth found close relationship between the values of external economic openness and GRP per one person [7].

D. Dollar and A. Kraay believe that positive effect of external economic openness reveals itself in the long term. Sociological researches show dependence between external economic openness of economy and income per person, therefore the level of well-being [8].

Key factor influencing economical growth and having close relationship with external economic activity is the structure of foreign trade turnover. Problems of external economic operations structure were studied by D. Lederman and W. Maloney and they proved this relationship [9].

About importance and often underestimation of potential of internal demand in world economy when chasing for global markets said P. Christensen, N. McIntyre, L. Pikholz. They emphasize that availability of great popular internal demand is an incentive for different innovations, quick evaluation of their advantages and disadvantages, entering world market with competitive and high quality products [10].

Regional external economic complex is a system of regional enterprises and structures which make and provide for interaction of the economy with world market.

Therefore, nowadays, the key issue is regulation of external economic complex of a region, in particular the differentiation between operational and strategic regulation. Operational regulation uses advantages of international separation of labour to provide for increase in volume of GRP. Strategic regulation, on the other hand, is aimed to qualitative changes in structure of regional economy in correspondence with trends of modern high-tech development.

Implementation of strategic regulation of external economic complex of a region can be done by development and introduction of organizational and economical mechanism on mesolevel (Figure 2).

This mechanism must include 4 main components:

- system of organizational structures of subject of regulation (coordinating institutes);
- system of regional enterprises and structures which provide for interaction of economy of a region with world market - object of regulation;
- system of direct relations - functional tools for influence of subject of regulation on its object;
- feedback system - complex of values for monitoring of object of regulation and its external environment.

Strategic regulation must be directed first of all to stimulate and support the exporters of high-tech production and high technologies as well as to creation of necessary infrastructure.

One of the most important results of strategic regulation must be economic growth of a region provided by making changes in industrial structure of reproduction and export, which means diversification of goods structure of external trade in favour of high-tech products as well as increase of proportion of sector of high-tech services. As a result the region can move to position of active participator of regionalism process which will make this region the foundation of spatial framework of the country.

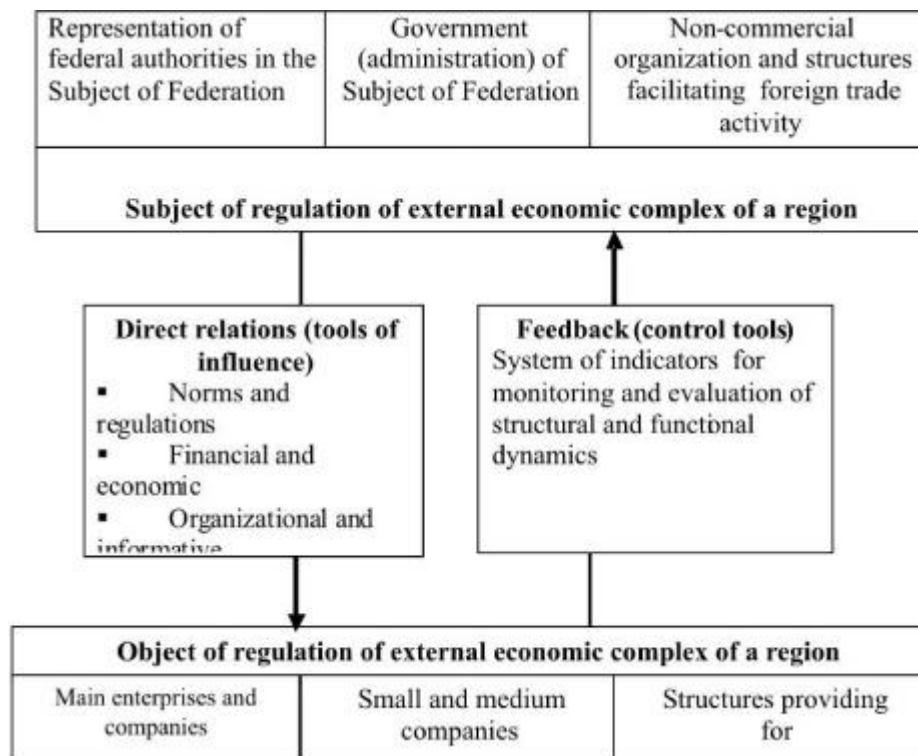


Fig. 2: Organizational and economical mechanism of strategic regulation of external economic complex on mesolevel.

In short and medium term usual inertia of regional economy should be taken into consideration, as well as limited character of resources and high international competition on the markets of high-tech products and services. That is why for regions-foundations priority in development of external economic complex on modern stage should be given to:

- geographic diversification of export (search and exploration of potentially beneficial sales markets;
- forming of profile of export specialization of a region;
- identification of priority industries to substitute for import;
- drawing of direct foreign investments into perspective innovative projects.

The most important direction of development from this list is forming of profile of export specialization. Here it is necessary to define criteria of choice of enterprises of external economic complex which will be given appropriate regional support.

We propose the following criteria for it:

- potential of high-tech growth;
- high added value;
- innovations used;
- availability of high-tech personnel.

Potential of high-tech growth suggests making investments into quickly growing innovative industries and enterprises which can bring big return rather than industries in the state of saturation or decline. These are the industries which are based on intellectual potential and scientific knowledge.

High added value when other conditions are the same means higher level of labour productivity.

Innovations. This criterion is closely connected with the previous two. Taking into consideration the world

trends of increase of high-tech component in the products supplied to the world market the priority must be given to those companies of the region which actively use innovations.

Availability of high-tech personnel means high level of labour productivity, which provides for higher level of payment for labour.

While choosing among industries of perspective export specialization of a region the key factor is competitiveness in the industry.

Identification of a profile of export orientation of a region can be done by use of the following matrix, here each industry is characterized by position of this industry (goods group) in terms of effectiveness of its export. Finding such positions can help to define strategic industrial priorities of external economic complex of a region (Table 1).

To define strategic priorities among industries it is necessary to aggregate region's industries according to the level of competitive potential into 3 main groups for every of which specific strategy of development must be used:

- traditionally export-orientated industries;
- industries which have high-tech potential that can be used in production of competitive goods and technologies;
- industries which do not export products abroad but have a potential of import-substitution on regional and national markets.

The first group can develop being funded by itself. To increase their competitiveness on foreign markets it is necessary to develop infrastructure as well as regional market institutions.

The second group of industries are high-tech industries which can be competitive on international market only if effective incentives for their development used in world practice can be created on regional level.

Table 1: Matrix of strategic industrial priorities of external economic complex of a region

		Level of added value in industry	
		High	low
Rate of development of export in the industry	High	<i>Support of export while on the first place is stimulation of R and D</i>	<i>Investments into optimization of internal industrial structure of production</i>
	low	<i>Active use of marketing, stimulation of expansion of production</i>	<i>Selective support of production by products with high selling price</i>

For these industries it is necessary to find measures to stimulate export and draw foreign investments and that will facilitate and accelerate their growth.

The third group of industries must get regional support, it is necessary to develop mechanism to draw direct foreign and out-of-region investments. Other sources of financing and other forms of support must be found as well.

Priorities in terms of drawing foreign investments should be concentrated in direction of points of growth in accordance with industries of perspective specialization of a region.

CONCLUSION

As we see development and realization of mechanism of strategic regulation of external economic complex of a region is an important task not only for regional socio-economic development in general but for spatial development of the whole country, namely, for creation of spatial framework, based on centers (axis) of growth/development, projecting innovations on other territories, for valuable joining of region and country to the system of world business relations.

Inference: Trends of globalization and unevenness directly influence development of spatial organization of modern economy. They lead to forming and activization of two interrelated processes - regionalization and regionalism.

Interacting with each other processes of regionalization and regionalism also interact with dynamics of economic cycles of market reproduction which influence the character and direction of these processes.

Historical development of administrative and territorial division of Russian Federation and its spatial structure leads us to conclusion that current characteristics of our country are not static and frozen but are changing and developing following the development of separate regions influenced by different factors.

One of these factors is well-established external economic complex of a region.

And key significance is given to strategic regulation of external economic complex of a region.

One of the most important results of strategic regulation of external economic complex of a region is steady economic growth of a region which enables it to acquire the role of active participator in the process of regionalism and therefore become the foundation for spatial framework of the country.

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