

**ISCKMC 2020****International Scientific Congress «KNOWLEDGE, MAN AND CIVILIZATION»****POTENTIAL OF INDUSTRIAL REGIONAL DEVELOPMENT IN  
THE CONTEXT OF DIGITAL GLOBALIZATION**

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**Abstract**

The foundation of the high efficiency of the national economy of any modern country and regions is the presence of both natural and labor resources, as well as industrial and scientific and technical potential. In this regard, the study aimed at this issue seems timely, relevant and due for modern science and practice. The paper attempts to measure the level of development of meaningful elements of the digital economy at the regional level. A distinctive feature of the proposed direction is the orientation of the developed toolkit on the study of five main areas of digitalization determined by the Order of the Government of the Russian Federation of July 28, 2017 (No. 1632-r): policy management, staff for the digital economy, research competencies and technological gaps, information infrastructure, information security (*Digital Economy of the Russian Federation (2017)*). It is noted that we are dealing with three crises imposed on one another, each crisis having its own cause: a structural crisis, a geopolitical crisis (Western sanctions) and a crisis associated with demand restrictions (for raw materials). Industry digitalization implies consolidating all market needs, distributing orders, finding partners, exchanging data and controlling the progress of orders from a single center. The paper reveals the new content of the modernization of the Russian economy, formulates the task of achieving high competitiveness as a fundamental strategic national task and states the need to take into account special regional specifics in this matter.

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## 1. Introduction

In today's dynamic world, digital technologies act as a driver for the entire economy by attracting investment, creating new added value, creating new high-performance and high-tech jobs, and introducing progressive technologies in production and management. Ultimately, digitalization has a positive impact on economic growth and living standards. At the same time, the scale and rate of their spread became so significant that experts talk about a new technological revolution comparable to the industrial revolution. Digital technologies are causing a profound transformation in market relations, since they affect the production, distribution, exchange and consumption of goods. Besides, the goods and services themselves are undergoing qualitative changes under the influence of digital technologies, new markets for goods and services are emerging. The interaction of the private and public sectors of the economy is also transformed under the influence of digitalization. All this indicates the emergence of a new phenomenon – the digital economy. At the same time, it should be emphasized that the digital economy was formed due to technological innovations and the widespread ICT infrastructure (Borovkov, 2017).

The development of industry in the context of digital economy, its timely adaptation to the constantly changing operating conditions and requirements of the market, the formation of new competitiveness attributes is an essential prerequisite for reviving the economic potential of the whole country, successfully solving a range of social, economic, environmental and economic security problems. The study of the nature and dynamics of the modernization of the Russian economy, the economic development of regions and their production systems is the subject of numerous scientific studies. However, not all aspects of this current problem were fully solved in theory and implemented in practice. The system paradigm approach required in this regard identifies a number of key features common for the functioning of various socio-economic facilities, including economic security.

## 2. Problem Statement

The problem of regulating and improving industrial policy in Russia and the regions is an objective process of its systematic phased renewal caused by the peculiarities of a specific stage of the country's socio-economic development. Success largely depends on the objectivity of assessments of the state of industry and the economy as a whole, the current and predicted macroeconomic situation, strategic goals set at the state level, requirements and targets (Idigova et al., 2017). The economic security of a state can be achieved only with the sustainable development of all actors that are organically integrated into its economy. At the regional level, resource potential is managed, the efficiency of which ultimately depends on the sustainability of the state-wide economic growth. The economic security of the region is considered as a generalizing characteristic of the state, conditions and factors that characterize the consistency and stability of functioning and reflect the level of protection of the regional economy from threats to its socio-economic development. Economic growth is a prerequisite for economic security.

### 3. Research Questions

In today's digital transformation of regional economic systems, industrial policy plays an important role in resuming Russia's economic growth on a qualitatively new basis. It maintains its systemic importance in ensuring economically safe competitive development, rightfully considered the coordinating component of various types of state policies, the platform for its economic policy.

Currently, there are many reasons to take a fresh look at the problems of ensuring national economic security in Russia. Global risks of increased sanctions, internal restrictions on economic growth, and the problematic state of domestic industry require the greatest attention. Industry is the basis of expanded reproduction in the economy, it continuously reproduces the means of production, both for itself and for other areas of the market. The development of industry, especially manufacturing industries, is an essential prerequisite for reviving and strengthening the economic potential of Russia, successfully solving socio-economic problems, and ensuring its national and economic security. However, although recognized as the most important priority of modern Russian economic policy, the industry does not significantly affect the positive economic dynamics and is not yet able to be a real driver of growth due to its low potential. For more than two decades the scientific literature reveals a clear understanding that industrial policy is needed as the basis for the structural adjustment of the economy. But real systemic work in this direction began quite recently. Even the very concept of "industrial policy", which exists in Russian economic literature, regulatory documents and management practice since the 90s, received its "official status" only with the adoption of the Federal Law No. 488-FZ *On Industrial Policy in the Russian Federation* of 31.12.2014. In accordance with this law, industrial policy is interpreted as a set of legal, economic, organizational and other measures aimed at developing the industrial potential of the Russian Federation, ensuring the production of competitive industrial products. The law sets out the main goals of industrial policy: 1) creating a high-tech, competitive industry that ensures the transition of the state's economy from the export-raw material type of development to the innovative type; 2) ensuring the country's defense and state security; 3) ensuring employment of the population and raising the standard of living of its citizens. This law defines the vector of development of domestic industry for years to come, regulates the relations between industrial enterprises and the state, establishes a wide range of measures to support various industries. In particular, this refers to such measures as limiting public procurement of foreign equipment, reducing interest rates on loans for efficient enterprises, introducing special ten-year contracts for investors that are aimed at protecting against possible deterioration of the tax climate, etc. The main thing is that the law affirms the importance of conducting industrial policy and regulating the relations between industrial actors at all levels of public authorities, but does not provide for the priority of industrial policy over others in the real sector of the economy (Idigova et al., 2016). It is known that until 2014, the Russian economy developed focusing on global markets and integration into the global economy. Subsequently, due to the cooling in relations with Western countries, there was a forced shift towards import substitution in industry and agriculture. At the same time, the sanctions regime was not considered by Russia as a strategic perspective. Today, it becomes obvious that sanctions will remain for a long time. In this regard, global risks of increased sanctions require the greatest attention in the implementation of industrial policies. Industrial policy focuses the efforts of the state to promote economic development at the federal, regional and local levels, it is inextricably linked with other policies

and their instruments and is characterized by a certain integral effect on the economy as a whole, contributing to the development and growth of competitive advantages. The improvement of Russia's industrial policy is an objective process of its systematic modernization caused by the peculiarities of a specific stage of the country's socio-economic development.

#### **4. Purpose of the Study**

The purpose of this study is to assess the main methodological approaches in determining the potential of industrial development in the context of the digital transformation of regional economic systems.

#### **5. Research Methods**

The paper is based on a set of general scientific and private scientific methods, including statistical and econometric analysis, content analysis, scientific synthesis.

#### **6. Findings**

Based on the above research results and our reasoning, let us give our definition of the digital transformation of industries: digital transformation of industries is a set of processes and relationships reflecting the transition of the industrial sector from one technological structure to another through the large-scale use of digital products in the system of production, distribution, exchange and consumption of material and intangible benefits at such level of use of digital technologies that provides a direct positive impact on the economic growth (Idigova et al., 2018). The digital economy should be perceived as one of the main drivers of the innovative process ensuring competitiveness and sustainable development in the modern world. The digital transformation itself is characterized by "a combination of the latest technologies and innovative business models through their interaction". In other words, only a positive impact on the economy means that a digital economy is emerging. In accordance with the above understanding of digital transformation, covering, in fact, all areas of digitalization of society, the measurement indicators of the digital economy can be divided into two groups. The first group of indicators characterizes a set of economic entities of the digital economy (enterprises and organizations), quantifying their individual internal economic parameters and the results of their interaction with other economic entities in the framework of creation, circulation and use of digital technologies. In this case, we refer to the digital economy from the standpoint of a production approach. The second group of indicators characterizes the use of digital goods and services by the population. In this case, we refer to the digital economy in a broader sense, which involves the inclusion of processes not only of production, but also of consumption of final goods and services.

At the same time, the consumption of digital goods and services by the population is mediated through the indicators of trade in these goods and services, as well as the indicators of profit and/or turnover of companies providing services for Internet connection, cellular communications, etc. Under these conditions, the measurement of the digital economy by a productive approach will not only take into account the consumption of imported goods bought by the population through retail, as well as imported

goods entered the country through electronic commerce. It seems that at present this value is not so large compared to the indicators of economic entities. For this reason, it seems correct to measure the scale of the digital economy through the sector of economic entities, i.e. by applying a production approach to determine the boundaries and composition of the digital economy. In this context, the digitalization of the economy at this stage is most clearly illustrated in three directions:

- increasing the share of the ICT sector in the economy (in terms of employment, output, etc.);
- increasing the use of information and communication technologies and related assets at enterprises and organizations, including those that do not produce ICT products or services;
- increasing the number of ICT professionals at enterprises and organizations, including those that do not produce ICT products or services.

Since the expansion of digital technologies and the corresponding professionals based on the growth of labor productivity leads to an increase in the volume of products (services) created, it can be argued that this increase in the volume of products (services) is directly ensured by the digitalization of the economy (Kuznetsov, 2013).

## 7. Conclusion

The obtained results: statistical and econometric analysis showed that in general, Russian industry and the industry of the regions are not characterized by sustainable and economically safe development for a number of reasons. If this trend continues, the economic vulnerability of industrial enterprises will only increase, which will negatively affect the level of economic security of the state.

Conclusions: modern management and technological approaches are proposed (optimization of business models, transition to digital platforms in the organization of basic and auxiliary activities, attraction of resources for development through collective forms of private investment), which will increase the level of economic security of certain industrial enterprises. But in general, the industrial sector of Russian and, in particular, the regional economy, needs systemic institutional reforms.

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