

ISCKMC 2020**International Scientific Congress «KNOWLEDGE, MAN AND CIVILIZATION»****STRUCTURAL CRISIS OF MODERNITY AND PROBLEMS OF
REGIONAL ECONOMY**

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Abstract

The ongoing processes of increasing deepening of the international division of labor and the formation of a single world market, in which each country is trying to strengthen its position and provide employment for its population on this basis, lead to even greater competition and struggle for cheap raw materials and markets for finished products. The objective and irreversible process of integration and globalization leads to the need to ensure competitiveness not only between individual producers in the domestic market, but also the country as a whole in the world market. Russia, as the largest country in the world in terms of territory, has advantages not only in production potential in the form of underutilized factors of production, but also in certain aspects in the development and implementation of regional socio-economic systems, regional strategies and development programs. It is necessary to take into account and effectively use the differences and characteristics of individual regions. The article emphasizes the need and the possibility of effective use of geostrategic, geopolitical, as well as ethnic diversity of the population of a particular region, i.e. use of so-called intangible factors of production, which is also an effective way to increase economic growth in a particular region. The Southern Federal District, formed in May 2000, is one of the eight federal districts of Russia.

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1. Introduction

“The objective processes of globalization that are currently taking place in the world, lead, at first glance, to a strange deepening of regionalization and the strengthening of ethnosocial and ethnopolitical processes. Scientists call this phenomenon “globalization”, explaining it by the need to take into account and better adapt transnational business to local conditions” (Kuznetsova, 2008, p. 123).

The current state of the world economy can be characterized as the downward phase of a large cyclical recession, the duration of which is exacerbated by problems occurring in the world with a viral disease pandemic.

We know that “an economic cycle is a natural fluctuation in economic activity, which, depending on the phase, is characterized by either active growth or a serious decline. Depending on the duration, short-term Kitchin cycles last for 2–3 years, medium-term Juglar cycles – 6–13 years, Kuznets rhythms – 15–20 years and Kondratyev's long waves – 48–55 years” (Zazdravnykh, 2019, p. 111).

However, along with the objective process of cyclicity in the development of a market economy revealed back in the 1920s (N. Kondratyev's theory of large cycles, Zhuglyar and Kuznets' medium-term cycles, Kitchin's short-term cycles, etc.), there are also so-called technological shifts, which lead to structural changes in the economy (Buchwald, 2019).

2. Problem Statement

A technological shift is a situation in the economy and industry, which leads to an introduction of innovations in the field of organization and production, an improvement of technical equipment, a reduction in labor costs, and thus a reduction in enterprise costs. The entire history of the development of civilization can be characterized by technological shifts, which were grouped by scientists into “technological orders”, and the next of these shifts occurred between the 20th and 21st centuries.

In all developed countries, i.e. in various sectors of the economy profound changes and imbalances occurred, which were associated with the achievements of scientific and technological progress. On the background of scientific and technological progress, an increasingly fierce hybrid war for resources and for sales markets is taking place leading to intensification of production and reduction of jobs.

Nowadays, a new pole of power is being formed in the world economy represented by Russia, with a single economic space forming around it – the EAEU, which is a real threat to the former unipolar world. A new world economic order is being formed, based on a convergent planned-market economy according to the experience of China. Intensive work is underway to exclude the US dollar from mutual trade between countries, which will lead to the deprivation of its status as a world currency.

Academician Glazyev (2011) proposed a “strategy of advanced development” back in 2011 during the ongoing structural changes in the world economy in Russia. This strategy discusses modernization of the economy based on a new technological paradigm, import substitution in areas with an advanced technological level, an increase in the degree of processing of raw materials, activation of the existing scientific and technical potential and all-round stimulation of innovative activity (<http://lawinrussia.ru/>).

However, when implementing even the most universal and optimal development strategy for the country, one should take into account the regional characteristics of each constituent entity of the

Federation, including all Federal Districts. Each of them is characterized by its own indicators, and not only macroeconomic, but also geographic, social, demographic, cultural-ethnic, etc. – everything that has recently been called “intangible resources” in scientific literature and singled out into a new scientific direction “geo-ethno-economics” (Malofeev, 2014). Therefore, in order to develop an effective regional economic policy, it is necessary to carefully consider and take into account the peculiarities of this region and its geopolitical, geostrategic and ethno-social characteristics.

3. Research Questions

The geopolitical position of any region, incl. the country as a whole depends on the economic attractiveness of its territory in terms of available resources, as well as geographic, political, military, economic and other factors.

The regional factor of geopolitical processes in modern Russia is an important problem, as well as the study of the role of regions in the geopolitics of Russia. In modern conditions of increasing integration of the most distant from each other countries of the world into a single world economy, the geopolitical role of the South of Russia has increased, connecting the East with the West.

The development strategy of the Russian Federation for the medium term is developed on the basis of predictive studies. Therefore, reliability of the situational analysis of socio-economic state is based not only on statistical data, but also on many factors that can affect the development trends of the country, including regions. One of the most important of these factors may be ethnopolitical situation in the region.

The Southern Federal District (SFD) includes 8 constituent entities of the Russian Federation: 2 republics, 3 oblasts and 1 krai: Adygea, Kalmykia, Astrakhan, Volgograd and Rostov oblasts, Krasnodar krai, Crimea and the federal city of Sevastopol.

With access to the Azov, Caspian and Black Seas, the Southern federal district is a kind of southern sea gateway for Russia. Among the federal districts, the Southern federal district ranks last in terms of per capita monetary income, while the Southern federal district accounts for 6.25 of the industrial output of Russia. The Southern federal district is the smallest among the federal districts. In terms of population, the Southern federal district ranks third (14.9 % of the population of the Russian Federation) and second after the Central Federal District in terms of its density. However, the Southern federal district produces only 4 % of Russian exports and ranks last among the regions of the Russian Federation; it ranks only 5 % of Russian imports and occupies the penultimate place among federal districts in terms of foreign economic activity. The foreign trade turnover of the Southern federal district in 2019 was \$ 12.7 billion.

Russia's foreign trade turnover in 2019, according to customs statistics, amounted to \$ 672 billion, and the Southern federal district – \$ 25.96 billion, which is 3.8 %, while the population of the Southern federal district is 11.22 % of the total population of the Russian Federation (as of January 1, 2020). At the same time, the area of the Southern federal district is 447 821 km², which is 2.61 % of the territory of the Russian Federation).

The decrease in the value of foreign trade turnover in Russia as a whole amounted to 13.4 % against the level of 2018, and in the Southern federal district – 12 %, while the number of economic

entities in the Southern federal district engaged in foreign economic activity in the region is steadily growing, and in 2019 it amounted to 8651 (in 2006 – 6 748).

In 2019, each foreign trade participant accounts for about \$ 1.6 million of foreign trade turnover, which is more than the same indicator for 2018 by \$ 0.3 million.

The list of foreign trade partners is dominated by representatives of non-CIS countries, whose share is 69 %. The largest of them are Turkey, Italy, Germany, Egypt.

The most superficial comparative analysis of the dynamics of economic development of some subjects of the Southern federal district shows that the Rostov region, unlike the Krasnodar Territory, does not specialize only in raw materials exports and the development of the sphere of resort, recreational and transport services.

Krasnodar Krai, the largest constituent entity of the Southern federal district, ranks third in the Russian Federation (after Moscow and the Moscow region) in terms of population. The population density in the region is 66.6 people. per km², which is 8 times higher than the national average. Until the 90s of the 20th century, in Krasnodar there were successful enterprises that fulfilled orders for the defense industry and produced products for industrial and household engineering. For example, the plant named after Sedin was the only one plant in the USSR and in the world, which supplied the world market with boring machines for processing large diameter pipes.

Investment projects of the Federal Target Program “South of Russia” are focused on the development of the raw material base and the creation of transport communications in order to best fulfill the region's current function of Russia as an exporter of raw materials and importer of finished products.

One of the sections of the program “Geostrategic priorities” discusses the development of transport links of the regions that are a part of the Southern Federal District. The economic growth of the region is again envisaged due to its advantageous geographical position, and not due to the growth of production of competitive products.

The main goal of the program is set as “the creation of economic and social conditions for the stable and conflict-free development of the subjects located in the South of Russia and the provision of Russia's geostrategic interests in this region” (<http://ivo.garant.ru>).

The main objective of the program “Observance of the geostrategic interests of Russia” assumes the amount of financing is 16377.9 million rubles (from the federal budget on a non-refundable basis – 1.2 %) (<http://ivo.garant.ru>).

The implementation of the program will allow (<http://ivo.garant.ru>):

- reduce the lag of the southern regions of Russia in the main macroeconomic indicators from the average Russian level;
- increase financial self-sufficiency of the region, save 140 thousand and create about 799 thousand new jobs;
- raise the standard of living of the population and reduce social tension in the region.

Under the slogans of increasing the competitiveness and investment attractiveness of the region, there is a competition with other suppliers of raw materials to the world market.

Nowadays, scientific conferences define themselves as developing the investment attractiveness of regions, but in fact they are focused on fighting competitors.

Where the policy of protectionism should be applied, if not in the South of Russia?

Another very topical issue of the regional economy is the creation of free economic zones. The fact is that the region is already attractive for external and internal investments, the main obstacle to the implementation of which is only corruption and high prices for land plots in the shadow market. It is clear that Sochi developed as a city as it was approved as the venue for the 2014 Winter Olympics. The creation of free economic zones (the conditions of their functioning are given below in detail) is not only unjustified but also increases economic activity in the territories with increased competition level.

“The main goal of the Federal Law on Special Economic Zones in the Russian Federation” (State Duma of the Russian Federation, July 8, 2005) is to create favorable conditions for the development of the country's economic and scientific potential, attracting investments in its economy through the creation and functioning of special economic zones (<http://ivo.garant.ru>).

“It is proposed to perceive the special economic zone as a part of the state and customs territory of the Russian Federation, determined by the decree of the Government of the Russian Federation with a special regime for conducting entrepreneurial activities” (<http://ivo.garant.ru>).

“According to this law, it was planned to create two types of SEZs on the territory of the Russian Federation: industrial-production and technical-innovative” (<http://ivo.garant.ru>).

“When creating SEZs, the principle of limited territory must be observed. The limited territory of the SEZ is determined by the need for a significant concentration of costs for the infrastructure of the zone and adjacent territories. Furthermore, the excessively large size of the SEZ territories would lead to a decrease in the concentration of investment, labor and other resources” (<http://ivo.garant.ru>).

“For these reasons, the law provides for the creation of industrial and production zones on an area of no more than 10 km², technical innovation – on an area of no more than 2 km². SEZs are created for twenty years, the term of existence of the SEZ cannot be extended” (<http://ivo.garant.ru>).

“On the territory of the SEZ, the extraction and processing of minerals, scrap processing, production and processing of ferrous and nonferrous metallurgy products (except for the production of highly pure metals and alloys, compounds and products from them, materials for electronics), production and processing of excisable goods (for except for cars and motorcycles) is forbidden. When creating a SEZ, the Government of the Russian Federation has the right to determine the types of activities permitted on the territory of the SEZ” (<http://ivo.garant.ru>).

This bill has a long history. A draft law on the free economic zone of Krasnaya Polyana resort was developed in 2000. However, the Russian Government was against this kind of “tax offshore”.

4. Purpose of the Study

The purpose of the study is to conceptually develop key aspects, methods and recommendations for the formation of an organizational and economic mechanism for managing the development and use of geo-ethno-economic resources of the multi-ethnic regions of the Russian Federation.

5. Research Methods

Research methods of the article include: functional analysis, statistical research methods of economic conditions and analysis of the development of the regional economic system in the context of accelerating post-industrial transformations (Arkhipova, 2013), analysis of the theory of strategic management and the theory of cognitive economics.

6. Findings

As a result, the Government decided to create five free economic zones of tourist and recreational orientation on the Krasnodar Territory, which is a part of the Decree of the Government of the Russian Federation of February 3, 2007 No. 70 “On the creation of a special economic zone of tourist and recreational type on the territory of the Krasnodar Territory”. It was supposed to create a favorable investment climate and reduce the tax pressure on small and medium-sized businesses in the field of tourism and services. Instead, it introduced so-called “resort tax”, which only increases prices in this area and does not contribute to an increase in the flow of tourists. Therefore, it does not make this region attractive to investors.

Investors who start investing in the development of the SEZ can count on tax benefits. One of these free economic zones will be located in Sochi, in the Maly Akhun microdistrict. 100 hectares of land are allocated for it (These points are puzzling).

It is planned to build several year-round boarding houses, incl. five small hotels, and a cottage town, as well as a resort and entertainment center. The creation of a tourist and recreational SEZ on the Black Sea coast and in the Crimea would attract investment and create new jobs.

7. Conclusion

The South Caucasus is the sphere of traditional geopolitical interests of Russia. Therefore, ensuring economic growth and employment of the population is of great importance both for stability in the region and for ensuring the country's economic security.

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