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**NATIONAL PRIORITIES IN INDUSTRIAL SECTOR IN THE**  
**CONTEXT OF ECONOMIC TRANSFORMATIONS**

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**Abstract**

The paper monitors and analyzes the priorities set up by the national policy towards the development of the industrial sector of the southern region in the context of economic transformations. The authors investigate the experience of choosing the priorities for the development of industry in the constituent entity of the Russian Federation within the framework of regional industrial policy. The paper justifies the need to improve the tools of national policy in the development of the industrial sector of the region in the context of ongoing economic transformations. In order to increase the efficiency of industrial production, the authors propose to use industrial capacities of enterprises capable of giving a multiplier effect and an additional impetus to the growth of the entire economy of the Chechen Republic, as well as the development of industrial enterprises with a high degree of commitment for diversification. Today, the implementation of national policy in the industrial sector of the region is impossible without a comprehensive rationale for the directions selected for economy restructuring based on the areas to be viewed as priorities. A structural crisis and the need to initiate an extensive industrial restructuring agenda greatly emphasize the priorities to be selected. The experience that has been accumulated in the constituent entities of the country is of paramount interest in the framework of the target issue of choosing the priorities to spur industrial development. In this regard, the authors decided to call on regional practical experience using the example of the Chechen Republic.

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## 1. Introduction

The twenty-first century is witnessing a qualitative transformation of the basic economic principles adopted for the functioning of both industrially developed world countries, and the world economy as a whole. Mapping out the priorities for the development of the industrial sector of the regional economy, without exaggeration, can be deemed as the most significant and debatable challenge today. It is challenging primarily due to the limited financial and other resources required for the implementation of necessary industrial measures to be taken by public authorities.

At present, the state, implementing its national development strategy, must be sensitive to internal characteristics and the global economic system. Moreover, the power as a development agent, having failed to adapt, faces the risk of losing (or significantly reducing) not only the control over industrial and economic processes in the national economy, but also the country's position in the world economy.

The current industrial economy that fails to meet the requirements of the emerging technological order and is characterized by deep technological deformations is predetermined by all previous technological and economic trends (Idigova et al., 2016). The former command and administration economic system used to have deep imbalances between the military and civilian economies, between the production and social spheres, as well as the manufacturing and extractive industries. During the years of the centrally planned economy, industrial policy was implemented by strict centralized methods alone. The state was the chief engineer and designer of the industry. With the beginning of market reforms, the principal goal pursued by the Russian industry was to support the extractive sector, which was caused by the passive industrial policy of that time.

## 2. Problem Statement

One of the strategic development goals of one of the southern regions, the Chechen Republic, is its transition to a financially sufficient constituent entity of the Russian Federation with a perspective towards sustainable development of industrial enterprises. A program-target approach to the development of the region implemented through the republican program on Development of Industry in the Chechen Republic can be viewed as the main tool for achieving this goal. The program was developed in accordance with the Law of the Chechen Republic On Industrial Activity and Industrial Policy in the Chechen Republic (Idigova et al., 2018). The wider objectives of the Program are (Table 01):

- to create conditions enabling the transition to sustainable development of industrial enterprises;
- to ensure production of competitive products;
- to increase industrial production;
- to ensure tax progression;
- to provide more employment opportunities.
- The Program specific objectives are:
  - to increase production volumes at comparable prices;
  - to ensure a phased transition to meeting the republic's demand for industrial products by local production;
  - to develop links between research and production and integrate R&D component at enterprises;

- to implement promising investment and innovation projects aimed at technical and technological improvement of existing industries, to develop the production of competitive, including import-substituting and export-oriented, goods;
- to create a favorable investment and business environment for attracting funds from non-governmental sources;
- to fully utilize the production capacities of enterprises, local raw materials and energy resources;
- to provide training and professional development of workers and engineering and technical personnel, to make up for a shortage of qualified personnel.

**Table 1.** Target indicators of the implementation of the republican target program on the Development of Industry in the Chechen Republic

No.	Target indicators of the effectiveness of the Program	2010 (benchmark)	2012	2013	2014
1.	Gross production volume (mln rubles)	114.0	2.239.0	3.317.3	5.149.9
2.	Industrial growth rates to the state of 2010	–	19.6	29.1	45.2
3.	Number of jobs	432	1.311	1.723	2.092
4.	More employment opportunities to the state of 2010	–	879	1,291	1,660
5.	Tax payments (mln rubles)	41.6	240.2	334.5	466.7
6.	Tax progression (mln rubles)	–	198.6	292.9	425.1

Source: compiled by the author based on Rosstat data (<http://gks.ru>)

The data reflecting the expected volumes of gross production and the rates of industrial growth at the facilities supervised by the Ministry of Industry and Energy of the Chechen Republic (Table 02) shows that the sole leader among the enterprises is SUE Grozny Electromechanical Plant, whose growth rates are expected to be 4,176. 9 times compared to the benchmark 2010 year. The promising enterprises in this aspect should be considered OJSC Chechenavto with an expected growth rate of 205.3 times, SUE Orgtekhnik – 85.0 times, SUE Cardboard Factory Druzhba – 73.6 times, SUE Spetsavtomatika – 66 times (Idigova et al., 2017).

**Table 2.** Expected indicators of gross production and industrial growth at the facilities of the Ministry of Industry and Energy of the Chechen Republic

No.	Enterprise	2010 (benchmark)	2019		2020		2021	
			Expected production volume	Growth ratio to benchmark (time)	Expected production volume	Growth ratio to benchmark (time)	Expected production volume	Growth ratio to benchmark (time)
1	Grozny Electromechanical Plant	42.0	143.837.7	3.424.7	158.774.1	3.780.3	175.428.6	4,176.9
2	Alkhan-Kalinsky Woodworking Plant	–	62.000.0	–	62.000.0	–	68.200.0	–
3	Gudermes Medinstrument Plant	–	21.180.0	–	23.680.0	–	88.091.3	–
4	Pilot Plant of the Ministry of Industry	–	145.249.0	–	145.249.0	–	159.773.9	–

5	Transmash Plant	4.378.8	33.629.9	7.7	79.818.9	18.2	106.276.4	24.3
6	Orgtekhnika Plant	2.396.8	46.313.0	19.3	99.575.8	41.5	203.613.6	85.0
7	OJSC Chechenavto	17.059.3	1.352.033.9	79.3	2.107.966.1	123.6	3.503.084.7	205.3
8	Berkat Enterprise	2.632.2	18.787.9	7.5	39.575.8	15.0	43.533.4	16.5
9	LLC Electropult- Grozny	82.863.0	104.129.3	1.3	194.129.3	2.3	212.052.5	2.6
	1Druzhiba Cardboard Factory	1.179.2	61.819.5	52.4	78.939.0	66.9	86.832.9	73.6
10	1Fagus Chechen –		120.000.0	–	120.000.0	–	195.550.0	–
11	Timber Enterprise							
	1Avtomatstrom	1.446.0	37.425.6	25.9	61.100.6	42.3	67.210.7	46.5
12	Grozny Experimental Plant							
	1Spetsavtomatika	2.017.6	64.800.0	32.1	92.925.0	46.1	133.155.0	66.0
13	State Enterprise							
	1Promavtomatika	–	26.764.2	–	53.528.3	–	107.056.7	–
14	R&D Enterprise							
	TOTAL:	114,014.8	2,238.970.0	19.6	3,317.261.9	29.1	5,149.859.7	45.2

Source: compiled by the author based on Rosstat data (<http://gks.ru>)

### 3. Research Questions

The subject of study is theoretical and methodological patterns that are formed in the process of formation, functioning and development of the industrial sector of the region in the context of economic transformations.

### 4. Purpose of the Study

The paper aims to develop theoretical and methodological foundations and practical proposals to improve the efficiency of the industrial sector of the region in a transforming economy.

### 5. Research Methods

To achieve the goal and substantiate the hypothesis, the paper relies on the methods of structural and functional analysis, including statistical, traditional methods of economic analysis, grouping, comparison, generalization.

### 6. Findings

In order to increase the efficiency of industrial production, it is planned to use the industrial capacities of enterprises capable of giving a multiplier effect and an additional impetus to the development of the entire economy of the Chechen Republic, as well as the development of industrial enterprises with a high degree of commitment for diversification (Idigova, 2019).

The program is aimed at the further development of mechanical engineering, medical and woodworking industries. The region has started producing: cars (assembly production), batteries, auto components (in assortment), electrical products (in stock), elevators, components for elevators, decorative veneer, tractor trailers, prefabricated warehouse and industrial metal modules, metal products, welding

electrodes, garments, printing products, corrugated cardboard products, medical instruments and the Ilizarov apparatus, spring blocks, foam rubber, parquet, furniture blanks, and other types of industrial products and consumer goods.

The production of these types of import-substituting goods will significantly reduce outflows of funds from the republic and redirect them as indirect investments to support local producers and increase the budgetary return of the industry (Coase, 1993).

To ensure the growth of production volumes envisaged by the Program, it is of paramount importance to preserve and develop production by promoting new and upgrading products manufactured by enterprises, to foster cooperation with potential partners in order to establish joint ventures and industries. The program measures towards the development of industry are based, primarily, on the production of new, competitive types of goods that replace the products currently being imported into the republic. With this in view, there is a marketing group made up of leading industry experts in the Chechen Republic. The program measures provide for the maximum use of local raw materials for the industrial production.

The Program is aimed at increasing youth employment, which will make up for a shortage of qualified workers and engineering and technical personnel at industrial enterprises.

An important area of industrial development is the creation of a showground and a network of branded wholesale and retail enterprises, which will enable to examine consumer demand in a consistent manner and promptly align product range and production development programs at the enterprises of the industry. In general, this will boost the production of competitive products, improve the financial situation and ensure the sustainable development of industrial enterprises. Capital investments are directed to the further development of industrial enterprises that are state-owned and run by the Ministry of Industry and Energy of the Chechen Republic (Idigova et al., 2018). Working capital is directed to the implementation of program measures to maximize the use of industrial capacities of enterprises and the production of competitive products.

## **7. Conclusion**

Based on the analysis of the financial and economic rationale for the draft Decree of the Government of the Russian Federation on the State Program of the Russian Federation “Development of the North Caucasus Federal District until 2025”, the Chechen Republic is reported to rank second in terms of the expected federal budget expenditures. Once properly addressed, this task will result in the most efficient and full use of the existing economic potential of the industries to ensure the transition to innovative and technological development. This will also help overcome the lags in the development of industrial infrastructure, facilitate new modern industries, a more rational and efficient use of production facilities. The implementation of this task should not be limited to isolating the domestic industrial sector from global trends. This situation further aggravates the lagging behind trends in science and technology. Individual selective measures with a certain degree of protectionism should be taken here. A new economic environment should be created to flavor the functioning of domestic industrial enterprises,

which will be most beneficial for both domestic and foreign investors. Thus, the economy of the industrial sector should be a favorable zone so as to attract new investments and place capital.

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