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Determinants of Interregional Competition of Subjects of Russian Federation

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DETERMINANTS OF INTERREGIONAL COMPETITION OF SUBJECTS OF RUSSIAN FEDERATION

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Abstract. In the article, problems of the analysis of competitiveness of subjects of the Russian Federation at the level of the national market of the country are considered. For a research of indicators and dynamics of competitiveness of certain territorial subjects of the Russian Federation, the methodology and tools of the theory of the interregional markets of the country developed by one of authors of the article are used. On the basis of the known theory of competitiveness of M. Porter, the main directions of an increase of the competition in the interregional market of Russia are offered. Keywords: competitiveness, competitiveness determinants, interregional competition, interregional markets of the country

1. Introduction

Strengthening market relations in the Russian economy is accompanied by competition between business entities both at the regional level and across the country. The word “competition” means «collision», «rivalry». Without competition among producers from different regions of the country for a solvent buyer, as well as the clash of commercial interests in price between the seller and the buyer, there will ultimately be no mutually beneficial and fair inter-regional exchange of commodity.

The main approaches to the study of the spatial and geographical distribution of competition in the twentieth century were developed by W. Reilly, B. Olin, A. Losch, W. Izard (Aizard) and other scholars who studied the patterns of the collision of trade and economic interests of different territories, market zones of sellers and buyers, as well as the structure and trends of interregional and international commodity and financial flows. Analyzing the conditions for the formation of absolute and relative advantages, economists eventually concluded that competition can not be considered outside the specific economic space, without taking into account the territorial boundaries of localization of acts of sale and national and geographical peculiarities of the production and circulation of individual states. This is due to the fact that the competitive goods are delivered to the market not by the nation and not by the state as a whole, but by a specific product producer or service provider that carries out one's economic and commercial activities in a certain region within the country.

In today's globalized world economy, individual firms or even major national enterprises compete with powerful commodity flows and highly organized transnational corporations, whole regions and states are interested in expanding the territorial boundaries of the markets for their goods and services. Differences in national cultural values, in the structure of the economy and in the institutional and historical development of states contribute to the successful competitiveness of their countries and regions.



2. The methodology of analyzing inter-regional competitiveness

All regions of the country pass through various stages of development of competitiveness and methods of state regulation of territorial development of the economy change adequately to world technological progress. In accordance with the classical economic theory that goes back to A. Smith and D. Ricardo, the region will export those goods and render those services in the production. However, in the technically complex sectors that make up the basis of any modern economy, specialized factors of production, such as innovations, scientific and technical production potential and skilled workers and engineering resources, become decisive.

At the same time, the efficiency of the national economy as a whole and the development of each region of the country separately depend not on whether firms compete in science-intensive or resource-intensive industries, but on how they compete. Well-known American scientist M. Porter, a world-renowned expert in the field of competition and strategic management, believes that at the present time the decisive factor in the competition between countries and regions is endogenously formed and constantly improved in a competitive advantage that "is created and maintained through highly localized processes". He rightly notes that "while we are used to believe that the sources of competitive advantage appear within the company itself, the potential of the company in terms of its advantages and many of the factors of production necessary for it lies in its immediate surroundings. Only this can explain why so many successful companies in certain areas of activity appear in the same country or even the same region within the country" [36].

The competitive environment and the structure of interregional relations of the country are largely determined and depend on the territorial factors of the economic complex of the RF subject [36]. The following factors are decisive:

- place of the region in the territorial division of labor, the nature, volumes and directions of inter-regional trade flows;
- sectoral structure and spatial distribution of economic and production links of the region;
- ratio between the production of the means of production and the production of consumer goods in the subject of the Russian Federation;
- availability of sufficient material and technical potential and investment and a construction base in the subject of the Russian Federation;
- level of development of the service sector and the financial and credit system.

As is known, the research of M. Porter revealed four aspects of the formation of the competitiveness of a particular region within the country or at an even more localized level. These four interrelated conditions for the development of the internal competitive environment of the region, which the author called the "rhombus rule", include the state of the factors of production, the context for a strategy and competition, the level of demand, related and supporting industries in a given region of the country. In his theory of national and regional competitiveness, the leading role is assigned to local industrial groups, or so-called clusters. Clusters are geographically concentrated groups of interrelated production and service enterprises, specialized suppliers of raw materials, components and services, as well as related local organizations for standardization, R & D, training of specialists or trade associations that not only compete with each other, but at the same time they conduct the joint activities necessary for the regional markets.

The presence of the main and specialized factors of production, which the region has now is less significant in interregional competition than the speed of their creation and renewal. With such broader and more dynamic approach to competition, a particular region of the country determines the competitive advantages of firms through its influence not only on the efficiency of the use of factors of production and, as a consequence, productivity, and more importantly, on productivity growth in certain industries.

The conclusions and methods of M. Porter's theory of competitive advantages, in the authors' opinion, are quite applicable in the analysis and evaluation of the competitive environment in the

interregional markets of the country, and also with a view to increasing the competitiveness of the subjects of the Russian Federation [36]. It should be stressed at once that competition and competitiveness between the administrative and territorial units of the Russian Federation were to some extent under the old administrative and command system, but they became more acute under the current market economy. From the conventional point of view, it is believed that internal competition leads to duplication of efforts and prevents domestic enterprises from achieving large-scale production. However, as Russian practice shows, individual enterprises and organizations, including private ones, fenced by the federal or regional government are not sufficiently competitive both internationally and inter-regionally, even if they receive permanent state preferences.

Interregional competition leads to the emergence of economic pressure on business entities, forcing them to innovate and constantly improve. In addition, interregional competition includes not only rivalry for the division of interregional markets for supply and supply, but also for labor resources, highly qualified specialists and managers, technical excellence and even for "image" of the regions. The success of one of the openly competing companies of the well-known region proves the possibility of achieving high results under the same local conditions, inspires and attracts new participants to this sector of the regional economy. Therefore, the desire of administrations of RF subjects to increase the competitiveness of their enterprises in interregional markets of the country is, in the authors' opinion, not evil, but a boon for the whole of the Russian Federation. Otherwise the national economy of Russia will come to stagnation and corruption and, consequently, to the non-competitiveness of the whole country on an international scale.

The objects of competition in the inter-regional markets of the country in the space-time context are consumer's demand, factors of production, intellectual property, commercial information and market power in specific regions.

The subjects of inter-regional competition are individual legal entities or their groups that are fighting for the objects of competition on the territory of the whole country, i.e. first of all, these are large consumers, production firms and corporations of the subjects of the Russian Federation. The remaining subjects of inter-regional market relations, including regional administrations, are more or less derived from them. Unlike intraregional markets, only the largest producers and wholesale intermediaries can act as sellers in interregional markets, and buyers are state enterprises, private companies, various organizations and the population of regions.

The interests of the subjects of the interregional markets of Russia are expressed in the desire to establish themselves in the sphere of production and circulation, to find a "niche" for gaining competitive advantages by creating conditions for the stable and long-term sales of their products and services throughout the country. All this is achieved in interregional competition, which contributes to the national improvement of technology and the improvement of the organization in both production and circulation of the national economy. It is obvious that in order to reconcile the private entrepreneurial interests of the subjects of the interregional market with the socio-political development goals of the country, institutional methods of influence are needed that exclude the possibility of enriching individual regions and economic entities at the expense of the vital interests of the entire population of Russia and its regions.

A cumulative expression of the material and technical base of the regions of the country can be an integral assessment of the economic potential of each RF subject, which reflects not only the quantity and capacity of industrial and agricultural facilities, but also includes certain qualitative characteristics of the regional reproduction process. With regard to interregional competitiveness and opportunities for innovative development, in the authors' opinion, the economic potential of each RF subject should be classified and analyzed according to the following components:

- natural and geographical potential, which does not always have a direct economic evaluation, but through the implementation of such components as weather and climate conditions, wealth of subsoil, land quality, ecological condition of the territory, proximity or remoteness of the sales markets, directly affects the final results of the economic activities of the entity of the Russian Federation;

- resource and production potential, which has a specific monetary value in the form of fixed and working capital, circulation funds and current assets;
- interregional and external economic potential of the subject of the Russian Federation, presented as a ratio of import and export of a consumer and industrial goods for inter-regional commodity turnover of the country, as well as its exports and imports to the near and far abroad countries;
- the budget and financial potential of a constituent entity of the Russian Federation, determined by the system of state interbudgetary redistributions, the amount of transfers, subsidies, subventions, etc.;
- labor potential, representing the volume, structure and quality of the labor force, is characterized by a qualitative level of qualification and education of workers, employment and unemployment, wages and its differentiation for individual social groups of workers.

In the current world economic situation, the need for state regulation of the innovative development of the Russian economy and the improvement of interregional competitive relations at all levels of government becomes necessary and increasingly relevant. The development of the interregional competitive environment of the Russian Federation in the national interests should be in the field of vision and constant control both from the regional and from the federal government bodies. At the same time, the government bodies of the subjects of the Russian Federation should focus primarily on increasing the competitiveness of enterprises in their regions, using economic and even direct administrative methods. The federal center should ensure by constitutional and legal methods the preservation of the institutional foundations of the state and the improvement of the people's welfare and the security of the whole country.

This is due to the fact that the state bodies of the subjects of the Russian Federation can more competently and operatively, in comparison with the federal center, influence all aspects of forming the competitiveness of their regions. It should be borne in mind that no region of the country can and should strive to be competitive at once in all sectors of the economy. The main goal is to increase the productivity of those branches of the subject of the Russian Federation in which the most competitive firms located in it operate, since increasing productivity in one industry will gradually lead to an increase in productivity in others. Therefore, institutional regulation of the interregional competitive environment and effective state management of increasing the competitiveness of the economy of a specific subject of the Russian Federation can ensure mutual strengthening of all factors of competitive advantages through the use of synergies of the formed industries.

Subjects of the Russian Federation can ultimately be competitive in the sphere of activity in which people who have appropriate abilities and personal interests seek to work. Therefore, the goals of regional government structures, the remuneration and prestige that the state and public opinion surrounds workers in competitive industries and services drive capital and human resources, including the younger generation. In other words, in order to form competitive advantages of the constituent entities of the Russian Federation, an appropriate institutional environment, as well as a personal motivation for work and improving the professional skills of the population of the region, is needed.

The latest trend in the practice of state regulation of economic growth is the transfer to the executive branch of the subjects of the Russian Federation of regional marketing concepts and regional management that have proved themselves in the business world and transnational corporations. The main task of regional marketing is to identify the competitive advantages of the constituent entity of the Russian Federation, to strengthen them and create new opportunities for attracting to the region of subjects of effective economic activity capable of raising the standard of living and well-being of its inhabitants. Another important task of regional marketing is the most rational positioning of this subject of the Russian Federation in interregional markets, the formation of a favorable image of the region in the country and abroad. Regional management implies such management of economic and economic activities in this subject of the Russian Federation, which is based on corporate principles and taking into account the territorial division of labor in the country. Regional management includes the development of entrepreneurship, the activation of growth points, scientific and technical

complexes, the restructuring of the economy, the formation of clusters of related industries, the attraction of external investment in the region, the introduction of the principles of regional marketing, the strengthening of postindustrial growth factors for sustainable economic development of the region. Like the management of the corporation, the management of the economy of the subject of the Russian Federation is in two forms: management of functioning and development management [36]. Thus, the regional administration is turning into an innovative organization to provide various social and economic services to the population and business.

3. Results

Unfortunately, at present, in many regions of Russia government officials and senior executives of individual corporations correctly perceive the nature of interregional competition and concentrate only on the improvement of financial indicators of economic activity and seeking support from the Federal and regional authorities. They are trying to reduce risks in inter-regional competition, striving for stability and sustainability based on the simple consolidation of their companies, i.e. mergers, acquisitions and associations. Currently, the general trend of vertical integration through internal production of components, semi-finished products and the provision of services or training of their employees has become the norm in the Russian regional management. However, a more competitive environment capable of making such vertical integration at the interregional market of the country is inflexible, inefficient and outdated. Instead, more substantial attention should be given to forming close interregional relations with their customers and suppliers and with other regional institutions, which act not only on efficiency but also on the rate of improvement and upgrading of production in subjects of the Russian Federation.

In accordance with the foregoing, the competitive advantages of subjects of the Russian Federation on the interregional market of the country can be divided into two main types: low costs and differentiation of products. Lower costs allow the manufacturer to sell the goods of the region at lower prices than the competition. The product differentiation provides consumers with innovative and higher quality products or services throughout the country.

As shown by the authors' studies, the most convenient and effective method of analysis of trade-economic relations on the basis of available statistical information is inter-regional balances of trade flows based on the principles of the model "input-output" by V. Leontiev. They are based on the consolidated information of the territorial bodies of the Federal service of state statistics for the considered constituent entities of the Russian Federation and contain information about the correspondence and the volume of import (in columns) and export (lines) of products in other regions of the country in monetary or physical (with separate consideration) expression. On the main diagonal, these tables (matrices) specify the details of the supplies made in the corresponding subject of the Russian Federation production on its own territory, and the sums by rows and columns of the table according to the principle of double entry (balance) must coincide and be correlated with the country's GDP. An example of interregional balance of trade flows for the five subjects of the Russian Federation in 2013 is presented in table 1.

Table 1 Interregional balance of trade flows in 2013, billion rubles

<i>Subjects of the Russian Federation</i>	RT	RU	UR	SO	RB	<i>The gross import</i>
Republic of Tatarstan	8,3	3,8	3,4	9,6	7,2	24,7
Republic of Udmurtia	0,9	34	0,3	0,8	0,7	2,7
Ulyanovsk region	3,8	0,8	42	2,8	3,4	10,8
Samara region	15,8	1,9	4,4	75	9,2	31,3
Republic of Bashkortostan	11,9	5,6	3,8	2,6	76	23,9
<i>The gross import</i>	32,4	12,1	11,9	15,8	21,2	93,4

Based on the analysis of Russia's interregional balances (or its federal districts), the cohesiveness of the country's internal economic space, the import-export indexes between specific regions of the Russian Federation are calculated for the period under consideration, their production specialization in the scale of the national economy, econometric dependencies, etc. are determined. Relations between GRP, interregional trade turnover, import-export of each constituent entity of the Russian Federation and the GDP of the whole country make it possible to obtain estimates and conclusions about the degree of integration of the economic space of Russia, as well as the centripetal or centrifugal tendencies of the dynamics of economic development of individual regions of the country.

Obviously, the competitive advantages of each subject of the Russian Federation does not arise directly from the availability of cheap factors of production or large volumes of production, but from the highest productivity of using available resources. The unsuccessful territorial distribution of the activities of economic entities in an attempt to achieve comparative advantages in the ratio of factors of production can lead not to advantage, but to a competitive disadvantage. Absolute and comparative advantages of the regions of the Russian Federation, due to lower factor costs (labor, raw materials, infrastructure) and large volumes of mass production, still exist, but in most modern industries they no longer provide a competitive advantage and a high level of wages and the welfare of the population of these regions.

However, it is impossible to create competitive regions only by administrative or monetary methods and investments. To compete at the interregional level, business entities need, first of all, sufficiently strong intra-regional competitors. Therefore, the government of each constituent entity of the Russian Federation should implement a structural and investment policy that forms a highly competitive institutional environment in the region, contributes to product, technological and organizational innovations [36].

The stable competitive advantages of a specific subject of the Russian Federation are the result of the formation of such institutional environment, i.e. adopted in the region "rules of the game" in business, in which business entities can work productively and develop. Therefore, it is necessary to continuously improve its competitiveness, introduce innovations of not only technological and organizational nature, to use modern methods of logistics, geomarketing, positioning of its producers of goods and service providers in interregional markets of the country. Even the capacity of the local market for such firms is much less important than the opportunity to penetrate a much larger interregional or even international market. At the same time, the location of the owners of the enterprise or its main office also becomes significantly less important than the region in which basic production operations are concentrated.

In the conditions of the interregional economic space of Russia, the methods of gathering and processing commercial information acquire the crucial importance as a competitive advantage, which makes it possible to strengthen the main factorial advantages. Accounting for the specific location of buyers and sellers when choosing a competitive strategy and territorial distribution schemes is primarily connected with an operative and detailed analysis of the dynamics of regional consumption for the timely satisfaction of the identified demand. Possessing more accurate information about its partners, customers and competitors, as well as the availability and condition of the transport and information and communication infrastructure of each region of the country, it is possible to optimize marketing strategies to a large extent and increase their effectiveness.

4. Conclusion

Therefore, the study of the emergence and development of clusters in the subjects of the Russian Federation in comparison with the standard macroeconomic analysis of the regional economy makes it possible to clarify better the links between industries, the spread of advanced technologies, the exchange of information and the introduction of innovations, as well as the demand and requirements of customers for firms and industries. Using the methods of direct and indirect economic impact on the mentioned four factors of development of the competitive environment of the region, in the authors'

opinion, the leadership of the region is able to ensure the competitiveness of the subject of the Russian Federation.

The direct administrative and legislative activity of the government of the constituent entities of the Russian Federation can help achieve competitive advantages through stimulating and improving domestic demand. Stronger standards for producer performance and product safety, as well as environmental impact, put pressure on companies to increase quality, improve technology and give products that meet consumer demand and social needs. The weakening of standards imposed by standards, however seductive, has a negative impact on interregional competitiveness. However, strict standards need to be combined with a timely and purposeful legislative process that does not absorb resources and does not cause excessive costs.

Along with the strengthening of the role and importance of leading enterprises and the expansion of their production programs, many small and medium-sized firms must remain in interregional markets of the country [36]. The main reason for this is the narrow specialization of small enterprises that use unique or high-tech equipment and, in their innovation and economic indicators, outperform large but less specialized enterprises. Under the influence of specialization, there is an increase in the number of small and medium enterprises, but this does not undermine the positions of leading corporations, but, on the contrary, strengthens them. On the basis of cooperative supplies and narrow specialization, most such firms are drawn by large corporations into their sphere of influence. By producing individual products or units, these firms become local sub-suppliers of leading enterprises, which is beneficial for interregional corporations, since narrow specialization raises the quality of products and reduces production costs. Such production structures (intra-regional clusters) allow the creation of products that, in many cases, are more competitive in comparison with similar products in other regions of the country both in terms of technical and operational conditions and in commercial terms of supply.

However, state regulation of interregional competition through short-sighted policies, such as strengthening state monopolies, restricting investments in certain industries or fixing prices, may lead to a reduction in competition and a slowdown in innovation. It is also clear that liberalization and privatization alone will not lead to success without tough intraregional competition, which requires a consistent antitrust strategy. Therefore, real intraregional competition requires that the governments of the constituent entities of the Russian Federation do not allow the takeovers and mergers of the most competitive enterprises by the leading corporations in this sector. The policy of the regional leadership should give preference for entry into competitive industries from the internal resources of companies, both domestic and foreign, and not through a simple merger. Companies should be allowed to purchase small businesses in related industries only if such expansion promotes the spread of innovation in the region and creates an interregional competitive advantage for their constituent entity.

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