

UDC 33.338.24

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Mechanisms of national economy and its regions adaptation to the conditions of integration to the world economy

Abstract. The purpose of the present article is to demonstrate the monitoring results of the Russian Federation economy transformation process under the conditions of membership in the World Trade Organization (WTO), and also the development of its adaptation mechanisms. Operative economic and regulatory mechanisms on the adaptation of the economic systems of Russian regions (namely, Kursk, Lipetsk, Kaluga regions) to specific features of development within the amplifying integration of the Russian Federation into the global economic space have been systematized in the course of the research. Industry-specific effects expected from the membership of Russia in the WTO have been defined. The analysis of negative consequences and competitive advantages from Russia's accession to the World Trade Organization for individual economic complexes has been carried out. The authors considered regional aspects of adaptation of social and economic activity in the context of the new geopolitical risks, and also presented the framework of the investment paradigm realization as the fundamental direction on the adaptation of regional economies to the conditions of the WTO membership.

Keywords: Transformation of Economy; Geopolitical Risks; Legal Mechanisms of Adaptation; Regional Economics; Global Integration; World Trade Organization

JEL Classification: F02

DOI: <http://dx.doi.org/10.21003/ea.V157-0008>

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Механізми адаптації економіки країни та її регіонів до умов інтеграції у світове господарство

Анотація. Метою статті є демонстрація результатів моніторингу процесу трансформації економіки Російської Федерації в умовах членства у СОТ, а також розробка механізму її адаптації. У процесі дослідження систематизовані чинні організаційно-економічні й нормативно-правові механізми з адаптації економічних систем регіонів РФ до специфіки розвитку в рамках зростання інтеграції Росії у світовий економічний простір. Визначено галузеві ефекти, очікувані від членства Росії у СОТ. Проведено аналіз негативних наслідків і конкурентних переваг від вступу Росії до СОТ для окремих господарських комплексів. Авторами розглянуті регіональні аспекти адаптації соціально-економічної діяльності в умовах нових геополітичних ризиків, а також запропонована модель реалізації інвестиційної парадигми як основного напрямку адаптації регіональних економік до умов членства у СОТ.

Ключові слова: трансформація економіки; геополітичні ризики; правові механізми адаптації; інтеграція у світовий простір; СОТ.

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Механизмы адаптации экономики страны и ее регионов к условиям интеграции в мировое хозяйство

Аннотация. Целью настоящей статьи служит демонстрация результатов мониторинга процесса трансформации экономики Российской Федерации в условиях членства во Всемирной торговой организации (ВТО), а также разработка механизма ее адаптации. В процессе исследования систематизированы действующие организационно-экономические и нормативно-правовые механизмы по адаптации экономических систем регионов РФ к специфике развития в рамках усиливающейся интеграции России в мировое экономическое пространство. Определены отраслевые эффекты, ожидаемые от членства России в ВТО. Проведен анализ негативных последствий и конкурентных преимуществ от вступления России в ВТО для отдельных хозяйственных комплексов. Авторами рассмотрены региональные аспекты адаптации социально-экономической деятельности в условиях новых геополитических рисков, а также предложена модель реализации инвестиционной парадигмы как основополагающего направления по адаптации региональных экономик к условиям членства в ВТО.

Ключевые слова: трансформация экономики; геополитические риски; правовые механизмы адаптации; интеграция в мировое пространство; Всемирная торговая организация.

1. Introduction. The entry of Russia into the uniform world space involves a considerable number of obstacles and hardships which the state will have to overcome on macro - and meso-levels.

2. Problem statement. The expansion of economic integration of Russia and Western European countries within the conditions of the World Trade Organization (WTO) is generating fact-based requirement for predicting the economic consequences of the referred step.

For the purpose of the most obvious visualization and estimation of all clear and hidden advantages and shortcomings

of the process of Russia's accession to the World Trade Organization, it is expedient to establish the correlation of characteristic features and consistent patterns of Russia's economic trajectory with the principles and standards of WTO, and also to create the system of organizational economic and legal mechanisms of regional economies adaptation to these conditions.

3. The objective of the article is to demonstrate the monitoring results of the transformation process of the Russian Federation economy under the conditions of membership in WTO, and also the development of its adaptation mechanism.

4. Brief literature review. The alteration of the key regulabilities of competitive activities has become the fundamental factor having impact on the nature of the ongoing integration processes in the world economy; classical researches of foreign scientists are devoted to the development of its perspectives at the end of the XX century, including:

- M. Porter (2006) who has developed his own strategic model considering the competition from the point of five interconnected structural units (forces), characteristic, according to the scientist, of all the branches of economy - the intra-branch competition, the threat of invasion of new parties, the market power of buyers, the market power of suppliers, the emergence of substitute goods [1];
- F. Kotler (2012) who believes that there exist 4 main competitive strategies for the business entity - the strategy of the leader in the market, the strategy of the challenge to the market leader, the strategy of following the leader and the strategy of capturing the competitive niche [2];
- A. Smith (2010) who studied the concept of «competition» from the standpoint of its decentralization (freedom) as a force boosting economic and social progress [3];
- D. Trout (2007) who has been levelling up the business environment with the hot-spot of «military operations» and deve-

loped the marketing strategy as the main mechanism capable to affect the outcome of competitive struggle [4];

- F. Hayek (2009) who considering the competition through a prism of mechanisms of centralized planning and state interference with the market processes [5];
- E. Chamberlin (2009) convinced that monopolistic nature of the competitive struggle is typical for economy [6];
- K. R. Makkonell (2015) who defined the concept of «competition» as the situation where there is a large number of buyers and sellers independent from each other in the market, having the possibility of the free entrance and exit from the market [7].

The works of such Russian scientists as A. M. Liebman (2011), B. A. Heifets (2011) and V. S. Pankov (2008) are devoted to the goal-oriented research of regularities of the processes of integration and disintegration taking place throughout the post-soviet area.

5. Results. Within the amplifying integration of the regions of Russia into the global economic space, it is pertinent to emphasize on the strengths and weaknesses of the economy, and the expected threats as well as specific opportunities subject to the WTO membership. The most relevant and effective tool for the solution of this task is SWOT analysis.

Tab. 1: Analysis of negative consequences of Russia's accession to the WTO for individual economic branches

Type of activity	«AGAINST»	Consequences	Facilitation measures
Agricultural sector	- the twofold reduction of the governmental grants for the support of the agricultural sector; - the inability to maintain competitive positions of national agricultural producers in view of subsidized European agricultural goods; - the limitation of Russian agricultural products export; - the abolition of a number of import duties on agricultural products.	The tendency of restriction of the state support will lead to the decline of the Russian agricultural producers. Western goods will rush on the Russian market that will result in the need of considerable reduction of prices by the Russian agricultural producers that in its turn will lead to heavy losses in revenue.	The government will have to work with indirect ways of support of the agricultural producers: personnel training for the agrarian sector; implementation of insurance programs; carrying out of phytosanitary and veterinary interventions; improvement of infrastructure in villages etc. It will be necessary to develop the effective system of industry associations and unions, create and support real non-governmental associations.
Manufacturing industries	- the establishment of equal conditions for external and internal consumers, i.e. both foreign and domestic enterprises and private households have to purchase energy resources at market prices; - insufficient competitiveness of the chemical and petrochemical industry will lead to the weakening of the majority of the chemical companies positions.	The implementation of the referred scenario threatens with the increase of tariffs and the growth of the production cost of domestic production that in the result will lead to the loss of the competitive edge of the Russian goods and the drop of the effective public demand.	Innovative production, active investment.
Production and distribution of electric power, gas and water	- the liberalization of import of the commodity-based energy supplies; -the reduction of import duties on the equipment for the energy companies.	Export duties are going to be applied in respect of approximately 700 tariff lines.	The main concern of the state is to maintain the possibility of regulation of the tariffs on gas within the country.
Construction activity	-the increase of import of construction materials from abroad; - the decrease of the state regulatory activity in the field of the tariffs establishment for energy resources and the transition to the world market prices and standards of pricing.	The increase in import of construction materials from abroad will «hurt» the domestic producers, but the real estate developers will only benefit from this competition. The cost of the energy resources (the electric power, gasoline) can significantly grow, and it automatically boosts the prices of consumer goods and construction materials.	The alteration of the regulatory framework, the development of the program for investors involvement regarding the urban development zoning, overcoming of the issues concerning the artificial inhibition of the urban planning documentation take-up.
Transport and communications	- the abolishment of subsidies for air flights, the rise in the price of air flights; -the unification of transportation tariffs, - the complexity of processing of visas.	According to the Ministry of Transport, only 37% of federal and 24% of regional highways meet the standards. With Russia's accession to the World Trade Organization, the volumes of the foreign trade turnover will increase, the volumes of the international cargo transportation will increase, and the load level of the highways is to be much higher than the norm existing today. All this will lead to the growth of expenses at transportation.	-

Source: Authors' elaboration

Tab. 2: The comparative analysis of organizational economic and regulatory mechanisms of adaptation to the conditions of the WTO on the example of four Russian regions

Regions / Mechanisms	Legal aspects (regulatory base)	Organization of the professionally-oriented departments	Generation of the program of development with the orientation on the investment component
Kursk Region	<ol style="list-style-type: none"> 1) The law of Kursk region No. 37 dated 12.08.2004. «On the Investment Activity in Kursk Region». 2) The law of Kursk region dated October 29, 2013 No. 101 «On the Investment Fund of Kursk region». 3) The Resolution of the Administration of Kursk region dated July 22, 2011 No. 324 «On the Approval of the procedure of granting subsidies from the regional budget to investors for reimbursement for parts of their interest charges of loans received in credit institutions for the implementation of investment projects, and to leasing recipients for reimbursement for parts of interest charges of loans obtained for paying of leasing payments or for reimbursement for parts of leasing expenses». 4) The Resolution of the Administration of Kursk region dated May 21, 2014 No. 324 «On the Approval of Regulations of Integrated Support of Investment Projects (investors) on the Principle of «One Window». 	<ol style="list-style-type: none"> 1) The Working Group on the Adaptation of Kursk Region to the Operation under the Conditions of the WTO Membership. 2) Regional Council on the Improvement of Investment Environment. 3) PJSC «Agency for the Investments Promotion» of Kursk Region. 	<ol style="list-style-type: none"> 1) The Investment Strategy of Kursk Region till 2025. 2) The Plan for Investment and Infrastructural Facilities Development in Kursk Region for 2015-2017. 3) The Investment Policy Statement of Kursk Region. 4) The competence framework of the personnel of the branch committees of the Administration of Kursk region carrying out the interaction with investors, and the personnel of PJSC «Agency for the Investments Promotion» of Kursk Region.
Lipetsk Region	<ol style="list-style-type: none"> 1) The Administrative Decree of Lipetsk region dated 13.07.2009 No. 348 «On the Adoption of Investment Strategy of Lipetsk region for the period till 2020». 2) Activities on the realization of investment strategy of Lipetsk region. 3) The law of Lipetsk region dated February 25, 1997 No. 59-03 «On the Support of Investments into the Economy of Lipetsk region» (as amended on 12.08.2014). 	<ol style="list-style-type: none"> 1) The Coordinating Centre for Capital Investment Projects. 2) The Agency for Investments and International Links Management of Lipetsk Region. 3) The Corporation for the Development of Lipetsk Region. 	<ol style="list-style-type: none"> 1) The Investment Strategy of Lipetsk region. 2) The Plan of Development of Transportation, Power and Social Infrastructure Entities in Lipetsk region for 2015-2017. 3) The Investment Declaration of the Region. 4) The official site of Lipetsk region www.admlip.ru. 5) The investment portal of Lipetsk region http://invest-lipetsk.com
Voronezh Region	<ol style="list-style-type: none"> 1) The law of Voronezh region dated 07.07.2006 No. 67 «On the State (regional) Support of Investment Activity on the Territory of Voronezh region». 2) The law of Voronezh region dated 08.07.2013 No. 91 «On the State Guarantees of Voronezh region». 	<ol style="list-style-type: none"> 1) The Agency for Investments and Strategic Projects. 2) The Council for Improvement of the Investment Environment. 3) Voronezh Industrial Corporation. 4) The Public Council for the State Regulation of Tariffs. 	<ol style="list-style-type: none"> 1) The Investment Strategy of Voronezh Region for the period till 2020 and the Primary Directions till 2030. 2) The Plan of Development of the Entities of the Infrastructure, Necessary to the Investors in Voronezh Region as of 2015. 3) The Investment Declaration. 4) The investment portal of Voronezh region.
Kaluga Region	<ol style="list-style-type: none"> 1) The law of Kaluga region dated 16.12.1998g. «31 «On the State Support of Investors in Kaluga region». 2) The law of Kaluga Region dated 10.11.2003 No. 263 «On the Corporate Property Tax». 3) The law of Kaluga region dated 29.12.2009 No. 621 «On the Reduction of the Rate of the Corporate Income Tax Payable to the Regional Budget by Investors in Kaluga Region and by Entities - Residents of the Special Economic Zones Established on the Territory of Kaluga Region». 	<ol style="list-style-type: none"> 1) The Corporation of Kaluga Region Development. 2) The Agency for the Regional Development. 3) The Industrial Logistics Agency. 4) The Agency for the Agricultural Complex Development. 5) The Agency for the Innovative Development. 	<ol style="list-style-type: none"> 1) The Investment Strategy of Kaluga Region till 2020. 2) The Strategic Policy of Social and Economic Development of Kaluga Region till 2030. 3) The Investment Declaration of Kaluga Region.

Source: Authors' elaboration

With the focus on the research, it is recommended to pay special attention to the «threats» as the factors to be looked out for and in relation to which it is necessary to develop a complex of actions aimed at their elimination. So, apart from the reasonably expectable threats (for example, the growth of the level of the international competition for morally and physically outdated domestic industry, the increase of transport tariffs and the increase in prices for energy resources), also, there are threats of a more local character - for a number of branches and kinds of activity in connection with the elimination of protective barriers, considerable drop of profitability of the Russian manufacturing enterprises and erosion of their competitiveness are expected. The most vulnerable branches are the agricultural sector, the heavy industry, retail trade and financial services.

In view of the changes taking place, it is possible to single out a number of competitive advantages of the national companies: knowledge of the local specifics of business operations

(including the legislative framework); existence of well-established business contacts; administrative resource; scientific potential [8].

The most important strategic perspective of the Russian state under the terms of WTO membership, undoubtedly, is the growth of competitiveness of the national economy, regional economies and economic entities [9].

For this purpose, it is essential to estimate the existing place of the Russian Federation economy in the World Competitiveness Ranking.

In the World Competitiveness Ranking for 2015 Russia occupies the 45th place, neighbouring with Latvia and Mauritius. Among the countries of the former USSR, Estonia holds the 30th place, Azerbaijan - the 40th, Lithuania - the 36th, and Kazakhstan - the 42nd.

BRICS countries occupy the following positions in the World Competitiveness Ranking: China ranked the 28th position

sition, Russia as mentioned above, ranked the 45th (having moved up by 8 positions), the Republic of South Africa - the 49th, India is ranked the 55th, and Brazil was downgraded to the 75th place in the rating.

In comparison with the previous year, the position of the Russian state has improved dramatically on account of a range of macroeconomic indicators (favourably different from indicators of many other countries), such as top popularity of the higher education, the development of the infrastructure of regions, the improvement of indicators of the internal competition. However, the low efficiency of the state institutes functioning, limited innovative potential, lowering of domestic demand, economic sanctions from the European countries interfere with Russia's ability to use its competitive advantages [10].

The generalized analysis of the negative consequences for individual economic branches resulting from Russia's accession to the World Trade Organization is represented in table 1.

Along with the generalized industrial effects, the consequences of accession to the WTO have also acquired some local relevance, both economic and social. The priority direction of regional economies in the conditions of Russia's membership in the WTO is the realization of the investment paradigm, and also the development and completion of organizational economic and legal mechanisms of regional economies adaptation to the conditions of the WTO.

The systematization of forecast and planning documents (the strategy of social and economic development, medium-term plans of development, plans of spatial location of productive forces, concepts of investment development of scientific and technical and innovative development, etc.) coordinated with the federal system of long-term and tactical planning of industry (specific and territorial development) have to be performed throughout each region [11].

It should be noted that nowadays task-oriented working groups and committees on the adaptation of the regions of Russia to the terms of the WTO membership have been established practically in each subject of the Russian Federation, based at support of the local governments, scientific communities and commercial establishment.

One of the most effectively functioning institutes of development - the Agency for Strategic Initiatives (ASI) - has developed the «Regional investment standard» which appears to

be the program for establishing favourable conditions for business operations in the regions. The standard is made up of 15 best investment practical activities, applied into practice by the top economically viable regions of the countries. The assessment of efforts of the regional authorities on the execution of the particular requirement, performed by the business environment, comprises the base for the implementation of the Standard [12].

Following the results of 2015, 27 regions leading on the realization of the Standard principles and the development of the most effective mechanisms on the investment environment improvement have been pinpointed.

The comparative analysis of organizational economic and regulatory mechanisms of adaptation of the regional economies to the conditions of the WTO, based on the implementation of investment initiatives of the subjects of the Russian Federation on the example of four regions are presented in the table 2

6. Conclusion. Summing up the results, it is possible to conclude that the accession to the WTO is the staging point, strategically important for Russia, both as for its internal formation and development, and for strengthening of its positions in the external world. These days the highest priority for the state is not only to hold its positions during the crunch period, but also to transition to the developed national economy, prevent isolation and guarantee the high level of competitiveness along with the European manufacturing countries [14; 15]. However, the WTO membership involves certain risks, as long as even the slightest faults in the policy of the state can destabilize the whole economic system of the country and lead to negative consequences. In this regard it is important to make the best preparations for the forthcoming changes in the national economy, to concentrate attention at the industrial regions which provide the ultimate growth of GDP and subject to the highest risks of import substitution, promoting their investment environment improvement and investment potential accumulation.

Organizational economic and standard regulatory mechanisms on the adaptation of the Russian Federation's regional economic systems to the specific development within the WTO have to act as the instrument of the referred regulatory activities [16].

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Received 10.02.2016

Research Journal The «Economic Annals-XXI»

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