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

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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.

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 regularities 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 developed 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];
- 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 emphasise 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 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. If 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 the possibility of 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 producers which in its turn 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 32% of federal and 28% 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
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 po-

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<th>Regions / Mechanisms</th>
<th>Legal aspects (regulatory base)</th>
<th>Organization of the professionally-oriented departments</th>
<th>Generation of the program of development with the orientation on the investment component</th>
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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 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].

Reference


WORLD ECONOMY AND INTERNATIONAL ECONOMIC RELATIONS