

ЭКОНОМИКА И УПРАВЛЕНИЕ НАРОДНЫМ ХОЗЯЙСТВОМ

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IMPORT SUBSTITUTION AND INTEGRATION PROCESSES OF CORPORATE MANAGEMENT AS TOOLS FOR COMPETITIVENESS DEVELOPMENT OF THE RUSSIAN REGIONS UNDER MODERN CONDITIONS¹

Objective: to identify and systematize the key factors of international competitiveness of the Russian regions and identify the key areas of its improvement.

Methods: institutional and systemic approaches, factor and comparative analysis.

Results: The key current problems of agriculture in Russia are highlighted; promising areas of support to Russian agriculture under the WTO restrictions are identified. The Republic of Tatarstan is viewed as an example, as it has the potential to become a food donor of federal significance. The model of the import substitution project implementation is formed, in which a central place belongs to the regional import substitution strategy.

Scientific novelty: a high potential of WTO "green basket" measures in the sphere of the Russian agro-industrial complex support is grounded. The model of import substitution project is constructed, based on the regional import substitution strategy, which includes interaction with the project stakeholders and takes into account the impact of internal and external institutional environments on the project.

Practical value: the research results can be used for the formation of the federal program of import substitution in Russia, as well as for the formation of regional strategies of import substitution.

Keywords: import substitution; regional strategy; institutional environment; integration potential of the region; WTO "green basket"; agriculture.

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Introduction

Import substitution issues for a long time remain particularly topical for the Russian economy. Their importance has largely increased in recent months. Due to political and socio-economic crisis in Ukraine and the sanctions of the European Union and the United States regarding Russia, symmetric measures were taken by the Russian government in order to protect its national interests. Russian President Vladimir Putin on August 6, 2014 signed a decree "On implementation of the special economic measures in order to ensure security of the Russian Federation"² (hereinafter – Decree), under which Russia banned the import of certain agricultural products, raw materials and foodstuffs originating in the countries which adopted the decision to impose economic sanctions against Russia. Besides achieving political goals, the Decree is aimed at supporting domestic producers and creating conditions for the acceleration and expansion of import substitution processes. Although the Decree imposes restrictions for a period of one year with the possibility of cancellation, there is a long-term state policy aimed at the promotion of import substitution in the country.

Thus, the external favorable conditions for the Russian farmers have been created. However, the problem of import substitution cannot be immediately resolved. According to the Financial Times experts, Russia imports more than 40 % of its food³. There are many objective economic obstacles (projects in import substitution, particularly in agriculture, require significant resources and time), as well as specific problems within the sector. In this regard, the presidential Decree and regulations of the Russian Federation Government are fundamental and necessary, but not sufficient to achieve the goal. A comprehensive system is necessary to implement the Federal program of import substitution. Regions must play an important role in its formation and implementation. The present work is devoted to the development of regional programs of import substitution in Russia. The Republic of Tatarstan, which has the potential to become a food donor of federal significance, is viewed as an example.

² <http://www.kremlin.ru/news/46404> (accessed: 15.08.2014)

³ <http://www.ft.com/intl/cms/s/0/43cc34d6-1d5f-11e4-b927-00144feabdc0.html#axzz39aP6jw3C> (accessed: 15.08.2014)

The results of the study

Foreign experts note the financial weakness, fragmentation and poor equipment of the Russian agro-industrial complex (hereinafter – AIC). Indeed, the corporate debt of agricultural enterprises of Russia (in the form of bank loans) exceeds the gross domestic product of the industry and is more than 2 trillion rubles. Among the current problems of Russian agriculture the following should be noted:

- the enterprises of the Russian agrarian and industrial complex lack access to cheap and long-term loans: "the loan rate in the farmers' bank in the Netherlands is 1 %, we have far beyond 10 %, and credit is given not for 20 years, but maximum for 3 years" (as a consequence, the author of the cited work proposes to develop and implement a program to reduce the lending rates for farmers) [1];

- lack of institutions for objective and fair allocation of credit resources: "in Russia loans ... are given to farmers close to the Head of the local region or district. But often, these farmers exist on paper only. That is, the already scarce credit resources are squandered" (in this study Rosselkhozbank is considered as the bank able to ensure equal access of farmers to loans) [1];

- low level of subsidies (since 2012 the situation has become particularly sensitive): for example, manufacturers of dairy products subsidies do not receive so far;

- weakness of institutions that ensure strictly targeted, timely and complete provision of subsidies to the agricultural producer;

- there are no significant results in the development of cooperative relations, while it is they that contributed to the development of rural economy of the European Union;

- new mechanisms are necessary for public-private partnership in agriculture. In particular, one should consider one of the models most common in the West, to support the national farmers, – the state commodity call option, guaranteeing the government's purchase of goods at a guaranteed price from all (or certain ones, objectively determined) farmers. In this case, it is necessary to create additional infrastructure for using these goods to meet state needs (to provide army and budgetary institutions).

Alongside with the above problems, the World Trade Organization (hereinafter – WTO) "green" basket events become more significant, i. e. state support measures for agriculture, including:

- training and coaching, research, information and consulting services;
- phyto-sanitary and veterinary measures, food safety control;
- promotion of sales of agricultural products, including collection, processing, analysis and dissemination of market information;
- infrastructure development (construction of power supply network, roads, land reclamation facilities), except for operating expenses;
- maintaining strategic food reserves;
- providing a guaranteed income to farmers;
- improvement and modernization of land use;
- support of agricultural producers' incomes, not related to production volume (for example, payments for the status of a producer or landowner);
- ensuring the structural reconstruction of agricultural production (for example, based on the programs of industry transition from agricultural sector to other areas);
- protection of the environment;
- program of regional development (housing programmes).

The significance of these events is determined not only by the urgency of their implementation for Russian agriculture in modern conditions, but also their objectively high potential impact on the implementation of import substitution programmes under the formation of post-industrial economy: first, some of them have intangible nature, which contributes to the creation of intangible assets of enterprises; second, many of them take the form of public goods, accessed by a wide range of market participants; third, these activities are long-term, are of strategic nature.

These activities are aimed at solving the following current issues:

- current regional budgets in Russia are limited, resulting in the sharply reduced investment into agricultural infrastructure; the costs of its development are passed on to the business, as a consequence, risks and interest rates on farmers' loans increase;
- small private farmers face problems of pre-sale preparation of their products: washing, packaging, standardization, etc.; in other words, the issues of logistics in agriculture require centralized solutions;
- in the period after restricting the food supply to Russia, fishermen in the East of the country faced low efficiency in reviewing of quotas for the fishing volume: the problem is significant (because of the

very limited period of catching certain types of fish) and has an institutional character.

The high potential of integration processes is vividly illustrated in recent years by the largest agricultural holdings in the Russian southern regions, which strengthen the vertical integration of their structures, concentrate the assets and actively introduce innovations. Under extreme market fluctuations they extend control over storage, processing and retail sales, acquire land, expanding their forage resources. An example of such integration is the joint-stock company "Agrocomplex", the largest agricultural enterprise of Krasnodar region, whose experts are convinced that "closed-loop system minimizes the risks of WTO accession" [2]. The examples of vertical integration are "Agrico" group (Stavropol region), and "Resource" is group – a major poultry producer in the Southern Federal district and the North Caucasus Federal district of Russia.

The processes of integration and enlargement in agriculture promote rapid modernization of the industry, as larger diversified agricultural holdings have more opportunities for technology development and innovation. The crop production leaders in the South of Russia are implementing satellite technology for land assets management. For example, "Agrocomplex" company, in order to optimize the production process, uses "Agroupravleniye" geo-analytical system, "GLONASS" system, "GlonassSoft" system of agricultural transport monitoring. On the basis of satellite data, a computer database of all fields and areas of the holding is created, with the database of the main agrochemical and agroecological indicators. All these systems greatly increase the productivity of the holding.

An example of a systemic infrastructure development of agricultural producers is the Republic of Tatarstan, which for many years attached great importance to the development of agriculture.

Activities to support entrepreneurship in agriculture in the Republic of Tatarstan are represented by a wide spectrum of measures. Functionally they can be grouped as follows:

1. Promotion of entrepreneurship and educational services: the program "Rural Youth", the educational program "Business literacy", the program "AgroMBA" (on the basis of Kazan State Agrarian University).

2. Direct (financial, proprietor) support of farmers and private households in the sphere of production and processing of agricultural goods: grants to new farmers, support of family farms, the leasing-grant program for

farmers, purchase of agricultural equipment with the program "40 to 60", the program of reduced (subsidized) loans in the Russian Agricultural Bank and others, as well as subsidies to agricultural consumer cooperatives, to specific sectors of the livestock and crop production.

3. Infrastructure and informational support: the support of residents of special economic zones, the development of trade and industrial sites and industrial parks, the subsidizing of residents expenses for the credit resources, purchase of equipment, purchase and lease of real estate; the functioning Center of support of export-oriented enterprises, the European Information and Consultation Center, Centers for Youth Creativity of RT, Center for collective access to high-tech equipment and infrastructure, the formation of industrial and scientific-educational clusters [3].

4. Project financing: Investment and Venture Fund of the Republic of Tatarstan, the Fund of Assistance to Development of Small Enterprises in the scientific-technical sphere.

In 2013 "Kazan" Agropark was launched into operation in Tatarstan. It is a modern, multi-functional high-tech facility designed for the development of small and medium enterprises in the field of agriculture. It is based on a unique system of agricultural production trade "from farmer to consumer without intermediaries". As a result, the farmer receives professional services and favorable conditions for doing business, and the buyer buys inexpensive and high-quality products without intermediaries. In particular, Agropark provides processing, storage in warehouses, storage in freezers.

July 25, 2014 the Agro-industrial Park "Kazan" launched equipment for primary processing and packaging of vegetables (potatoes, carrots, onions and etc.). The launch of this recycling line is aimed at solving the problems of deeper processing of the crop, the delivery of farm products to the network companies of the country. With this equipment, the products are cleaned and packed according to international standards; they are ready for selling in large retail chains.

The Complex allows commercial space and office space for rent. On the territory of Agropark there is a cafe and a hotel. In order to ensure the comfort of the buyers and farmers, Agropark is built according to European standards, is provided with ventilation systems, air-conditioning, video surveillance, equipped with elevators.

Based on the above we can conclude that the work of the regional authorities in the Republic of Tatarstan

is multi-sided. Investments in AICRT infrastructure will give the Republic advantages when filling new niches during the implementation of the Federal program of import substitution.

In today's rapidly changing environment, the import substitution projects cannot be considered as typical investment projects. These projects involve a large number of interested groups (stakeholders), are constructed in the framework of a long production chains.

In particular, considering the example of the import substitution project in food supply, in order to ensure its speedy implementation and effectiveness, the state should create a number of stimulating and controlling measures in the legislation, to inform the consumer about the import-substitution products; together with the regional authorities and intermediaries to avoid price fluctuations in the movement of goods from producer to consumer; to inform the parties about the formation of new market niches; to form a logistics infrastructure. Institutional environment should not inhibit the above transformations. It should serve as a catalyst for the creation of favorable conditions for the project implementation. Manufacturers of import-substitution products must be open to innovation when entering new markets and expanding existing ones. They must be willing to work in the new, more risky environment, and, hence, to improve the effectiveness of risk management projects. The role of the consumer in the project implementation is to prevent unjustified agitated, based on hearsay, surges of demand for products during the transition period.

Hence, the efficiency of import substitution projects largely depends on the development of social institutions, both formal and informal, as well as the availability and extent of use of the regional integration potential, the use of modern corporate governance models. In addition, the current environment is characterized by the broad cooperation of business and government, resources and capabilities of which, when combined, will give a meaningful result. In this regard, these projects should be based on a cluster approach and public-private partnership.

In the process of research and formation of import substitution project model, one should consider in detail its subjects and objects, and the scope of their interaction. When using the institutional approach, the group of the project subjects significantly expands beyond the company's management and its owners. In addition, the most important object in the import

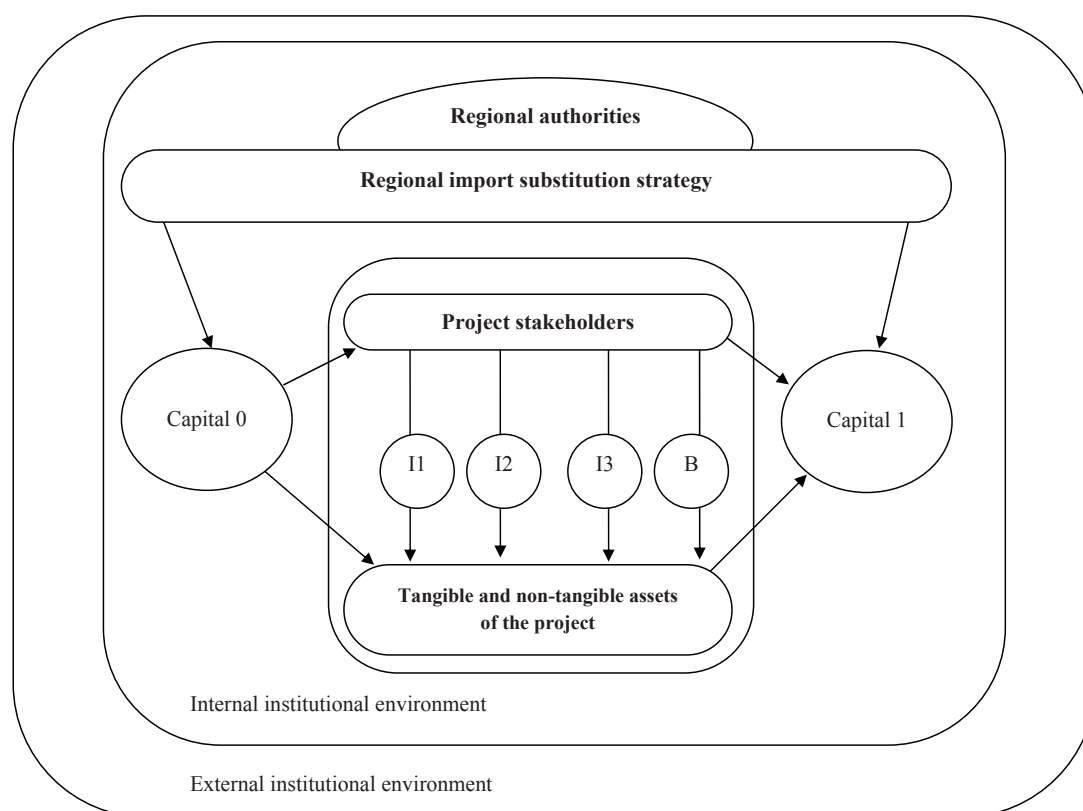
substitution project is its institutional environment, including a complex system of internal institutions.

The structure of the import substitution project model is presented in fig. "The import substitution project model". It corresponds to the company cost management model [4, 5]. Unlike the latter, it expands the list of interactions in the framework of the project, as well as the range of instruments of its implementation. Any business is formed by the investor, whose main purpose is to obtain maximum return on investment. The investor formulates strategic goals of the business and implements them in the corporate strategy, which in our case corresponds to the strategy of import substitution in the region. The investor (shareholder) invests capital in the development of both objects and subjects of the project (internal actors and stakeholders), and in some cases gives the initial conditions for the subjects' influence to the objects of the cost management system. The result is that the investor (shareholder), in case of successful business, increases the capital in the form of business value increase.

The investor of the project is influenced by external socio-economic environment, including the state. Busi-

ness management functions in its informational or, in a broader context, institutional environment. Speed and efficiency of the internal subjects' impact in the import substitution project (the region's leadership and the company management implementing the project, its staff) on the system objects depends on the speed and completeness of information flows in the system, which form the informational system of business, and on the level of internal institutional environment development.

In the diagram (see fig.) "Capital 0" refers to the capital invested by the investor in this business; "Capital 1" is the size of the investor's capital (available to the investor at the current moment or at the time of the prospective investor's withdrawal from the business). The stakeholders of the import substitution project are consumers, Federal agencies, partners (suppliers, contractors, lenders, insurers and others), foreign investors, local community (population, public associations), and the municipal authorities. "Project facilities" is material property of the enterprise and intangible assets (intellectual capital). Internal and external subjects affect objects in four functional areas: operation and development of the project in-



The import substitution project model*

* Source: compiled by the authors.

frastructure ("I1"), innovations ("I2"), in the field of integration, partnership and cooperation ("I3"), in the field of traditional business functions ("B"), including marketing, finance, production and risk management.

As practice shows, the investment and effort in the process of interaction with stakeholders and human capital give effect not only mediated through the increase of financial assets, but also directly – in the form of increasing the company's social capital.

Concluding the characteristics of the import substitution project model, it should be noted that its important elements are internal corporate institutional and external institutional and informational environments of the company.

Conclusions

Thus, regional authorities should play an important role in solving the problem of import substitution. The country's competitiveness at the present time is determined not only by its national advantage in the international labor division, but by the overall level of competitiveness of all its regions. Furthermore, the increasing regional competitiveness is one of the main provisions of the country's competitiveness as a whole. This trend is particularly relevant for the Russian Federation, which shows significant fluctuations in the level of individual regions' competitiveness, and there are a number of sectors in which regional competitiveness can be increased significantly. Sup-

port and development of the "locomotive" regions will allow to create the best regional policies, which can be used in other regions. Forming a conceptual model of import substitution project and implementing such projects in the framework of the regional programmes will contribute to the implementation of the Federal import substitution program in Russia.

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