

RUSSIAN'S AREAS OF ADVANCED SOCIAL AND ECONOMIC DEVELOPMENT INVESTMENT ASPECTS: POSSIBILITIES FOR APPLICATION OF CHINA'S EXPERIENCE

Abstract: The actual problem of attraction foreign investments on forming zones with preferential investment regimes in Russia is investigated in the article, exactly – areas of advanced social and economic development (ASED) on the Far East. The evolution of formation and functioning China's economic-technological development areas (ETDA) have been analyzed. The possibilities for the application of given experience in relation to ASED are discovered from conceptual and practical point of view. The author is generated the comprehensive set of recommendations, which realization contributes for the improvement of investment processes on the ASED' platform in terms of sanction restrictions and expansion of balanced economic cooperation between Russia and China.

Key words: Areas of advanced social and economic development, economic-technological development areas, China's experience, wave diffusion of investment, economic network system.

Introduction

The research is concentrated on the problem of formation Russian's areas of advanced social and economic development on the Far East as system of measures to attract foreign investment into the Russian economy for dynamic and systematical promotion of Russian's exporters on the capacious markets of the Asia-Pacific region with the possibility to consolidate the country's position in these aspects. Actuality of present research is substantiated by the necessity of the planning national development strategies to attach the special status for areas with preferential investment regime. The given statement has been confirmed by the existing criticism of special economic zones since 2005 year.

Scientific interest for author are also represented the China's economic-technological development areas [1] within the framework of investigated issue. This is obtained on the basis of detection the following four key proposals-determinants:

- stages of formation, development and growth of the initial economic-technological development areas have been coincided with the period of sanction's course primarily from Western Europe and United States from 1989 to 1993 years;
- the intensive competition with other preferential economic zones of China, absence state large-scale financing and providing wide-ranging preferential policies compared to them;
- the development of ETDA in terms of Asian financial crisis and it's conjuncture;
- the formation on the basis of defined ETDA economic «points of growth» by 2001 year in the cities of their dislocation and then the «points of growth» of China.

To ensure the areas of advanced social and economic development on the Russian Far East by the content, which will contribute to overcoming the similar sanction's barriers with subsequent possibility of integration into national economy and penetration on the Asia-Pacific region's markets, requires revision of the experience for initial Chinese economic-technological development areas.

Intensification of the economic cooperation between Russia and China at the present phase also substantiates the investigated problem statement and its actuality.

Hypothesis

The scientific hypothesis of author's research is the suggestion about possibility for application of China's economic-technological development areas experience in relation to Russian's areas of advanced and economic development on the Far East in order to improve their concept and investment process on their platform.

Methods

The following scientific methods were used for the current research: observation, economic and statistical analysis, abstraction and analogy, system analysis and synthesis; comparative, structural-logical, historical, dialectical method of scientific knowledge.

Theoretical and methodological basis of the research consists of main concepts of international capital's movement subject to territorial production's arrangement, various system researches and monographs about this analyzed specificity of scientific issue.

The designated problem is multifactor issue due to the formation of investment processes under the influence of both endogenous and exogenous factors. Subject to this position, the concepts of international capital's movement are explored by author to trace the evolution of this category based on the following main phases: neo-classical school of Economics (Alfred Marshall, John Stuart Mill, John Atkinson Hobson, John Elliot Cairnes, Eli Filip Heckscher, Bertil Gotthard Ohlin, Paul Anthony Samuelson, Ragnar Nurkse, Carl Iversen); the neo-Keynesian approach – the economic growth's theory (Alvin Harvey Hansen, Roy Forbes Harrod, Evsey Domar, Fritz Machlup, John Richard Hicks, Paul Anthony Samuelson); Marxist theory (Karl Marx); theory of regional growth (Francois Perroux, Torsten Hagerstrand, John Friedman, Immanuel Wallerstein); theory of the technology gap (Michael Posner); «enclave» approach (Warner Max Corden, Peter Warr); theory of competitive advantages (John Dunning, Rajneesh Narula, Michael Porter); applied approach to the research of investment process (Pi Tsyanyshen and Van Kay).

Performed analysis allows to identify determinants of economic type, which are substantiating the international capital's movement through the using three-tier approach due to formation of the following groups for economic factors: macroeconomic, mesoeconomic and microeconomic.

In that way methodological base of research consists of the following determinants: differential rent I; advantages of localization and internalization; «growth poles»; advantages of property; differential rent II; the ratio of land plots' square and investments. Approbation of these components is based on operational experience of Chinese economic-technological development areas allows to identify the main recommendations for Russian areas of advanced social and economic development in order to for contribution of the improvement their concept, structural elements and investment processes.

Thus, the author's approach is formed to consideration the objects of research taking into account the certain economic factors.

Substantiation of hypothesis

The possibilities for the application of China's economic-technological development areas experience and its objectivity in relation to Russian's areas of advanced social and economic development on the Far East are substantiated by author's identification the following key proposals-determinants:

1. Effective models of the economic system are characterized by the similar traits. Inefficient systems turn out to be such for completely different reasons for its part. Successful implementation of the best practice is based on simultaneous combination of the special factors while for the economic loss it is enough to make a single mistake.

This thesis is a *general provision*, which is substantiating the possibility of mentioned application.

2. *The similar location position* – economic-technological development areas are located along the coast of Eastern China (from the north to the south); areas of advanced social and economic development are concentrating in the Eastern part of Russia, including Sakhalin Island, Kuril Islands and Kamchatka Peninsula; the location is characterized by the port's component – port-cities of ETDA' dislocations are provided the output to Yellow Sea, East China Sea and South China Sea; in relation to Far East's ASED – through Vladivostok, Vanino, Vostochny, Zarubino, Korsakov, Nakhodka, Petropavlovsk-Kamchatsky, Posyet and Pevek ports, the access is provided to Japan Sea, Okhotsk Sea, Bering Sea and Northern Sea Route.

3. *The similar target orientation* – relative to ETDA this provision is implemented into internal districts of China to carry out the second stage of country's openness; the ASED' status except to

the Far Eastern Federal District applies to the number of monoprofile municipalities, it is also discussed the possibility of creating preferential economic zones of this type in other Russian's old industrial regions and in Arctic zone in order to achieve the wave diffusion of investment like as ETDA.

4. *The similar sanction conditions* – the ETDA' formation and development were carried out in the sanctions conditions towards China by USA, European countries and Japan covered the period of 1989-1993 years; ASED' formation takes place in the sanction conditions, which have been organized by USA, European countries, towards Russia since 2014 year to the nowadays.

5. *The similar risks at the formation's stage* – risk of land's development with high cost, risk of inefficiency and debts, risk of allocated land's idle, risk in relation to the cost of land's transfer.

6. *The similar investment model* – ASED is implemented with a focus on large projects and individual investor similarly ETDA in the period of their accelerated extensive and intensive economic growth.

Results and discussion

I. Given the author's evaluation of the conditions and operation's results for areas of advanced social and economic development and free port of Vladivostok (FPV):

1. Cluster approach is lost for creating ASED

Initially, the idea of «anchor» project was planned, around which could be formed the full chain of related industries. In practice of the ASED' residents represent the set of companies, which are implementing their project with using provided state benefits. Types of economic activities of ordinary companies-residents are not linked to each other at most. In this regard the concept of ASED' «kernel» has been blurring.

2. Logistical component

Areas of advanced social and economic development are competitive on the integral tax burden compared with the similar preferential economic zones of the Asia-Pacific region. Nevertheless, budget preferences are partially nullify by logistical component, which take out over half of the benefits. Transport infrastructure and border crossings especially have affected those companies, which are going to export their products.

3. Conflict of interests

For practical implementation of investment projects and promotion of issues regarding ASED / FPV have been formed with a large number of federal and regional support authorities, between which there is often a conflict of interests.

3.1. The difficulties with the land's alienation

Simplified land's norm is providing without bidding is valid for FPV' residents. However, there is not of coordination with large federal structures and also oblasts' administration in the practice, which periodically are refusing to provide land for projects' implementation.

4. The difficulties in applying the regime of free customs zone

The difficulties in applying designated regime are marked because of expensive process its facilities construction. This circumstance is contributes to the rejection of preference by FPV' residents, which have resorted to customs clearance in accordance with the general rules.

5. Clearly defined financial sources are lack

It is assumed the most of projects' financial sources are extra-budgetary, public investments are additional. Activation of private investment causes the public-private partnership's creation. Because of lack the clearly defined financial sources, the projects' vast majority have experienced the economic slowdown at initial stages, which are related to infrastructure's design and construction. Financial projects' side needs to be clarified.

6. Contradiction with the antimonopoly legislation

Residents with the long-term project payback (7-10 years) are striving to the long-term contracts for the sale of products. Large business with the state participation in Far Eastern Federal District is ready to conclude agreements with these residents for the payback's period of their project subject to guaranteed sales. At this moment, it is contradiction with the antimonopoly

legislation in certain degree. In this connection it is necessary to refine the regulatory framework in respect of the issue.

7. The investment model is limited

Minimum threshold for investing in projects on the basis of ASED is not less than 500 thousand rubles and 5 million rubles for FPV [2]. Therefore, their development is not designed for small and medium-sized enterprises' (SME) subjects or startups, which are capable to develop into large-scale investment business projects. In order to correct the situation, it is required the zero «entry threshold» for investors and the relevant laws need to be amended.

II. The main factors, which contributing to formation competitive advantages of China's economic-technological development areas, are revealed:

1. Location-specific advantages are initially involved in ETDA due to their location in the coastal cities.

2. Ownership-specific advantages' reduction is compensated by the debt development method of lands. This method affects to the each development zones' base square. The property in the form of land becomes the main ETDA' capital at the stage of lands' development.

3. Internalization advantages – the challenge of attracting foreign investment by ETDA was implemented during the second development's stage by shifting the vector of foreign investments from special economic zones to economic-technological development areas.

4. Appearance of projects – «growth poles» in the period of 1992-1996 years, which filled the existing gaps in certain China's spheres, reducing the lag with the world level.

5. The movement of processed product is in two directions: from ETDA to the economy of the investor country and from ETDA to the domestic economy of the recipient country. This feature significantly distinguishes economic-technological development areas from export processing zones (EPZ), processed product of which movements only in one direction (from EPZ to the economy of the investor).

According to author's opinion, mentioned factors are stimulated the achievement on their basis extensive and intensive economic growth in China's economic-technological development areas.

III. As a common result of conducted research special recommendations may be generated by regarding the application of successful China's economic-technological development areas experience in relation to set of objects in areas of advanced social and economic development on the Russian Far East:

1. The expansion of ownership-specific advantages by the involvement state-owned industrial enterprises.

2. Selection the land plots taking into account costs of their alienation, construction of infrastructure and latent risks.

3. Reliance on surrounding ASED districts with implementation of appropriations in their favor.

4. Adherence of the principle «cost-income».

5. Decline in managing company's capital structure debt obligations.

6. Formation of an agreement about implementation of activities for a certain period of time with the payment of penalty in case of default due to early termination of the agreement.

7. To follow the general model of land development based on the external and internal forces of influence, which was adopted in ETDA.

8. Allocation of the budget funds for the ASED' formation and future development may be in a one-time order.

9. Preventing the managing company from conducting economic activities with the negative balance sheet in order to preserve the national interests.

10. The functioning of ASED may be based on the model of major capital turnover with the aim to provide the coverage allocated capital investments independently.

11. The realization of the preferential regime by withholding taxes in ASED.

12. The allocation of the common territory's boundaries of each ASED on the basis of the initial square and their observance.

13. The possible transformation of the action model in relation to the practical implementation of the land's development in case of impossibility of acceptance the main risks by ASED.
14. The development on the basis of ASED the new industries for the Far Eastern region, which can serve as the example for the system of Russian enterprises in a similar sphere.
15. Expand the ASED' internalization advantages due to the following proposals:
 - a) the involvement in investment projects large enterprises of the Far Eastern region with the multiyear experience of the relevant production;
 - b) the application of foreign technologies in the process of project's implementation by using own auxiliary equipment;
 - c) the providing the ASED by own qualified staff.
16. The ensuring the spiral character of ASED' industrial cost price with regard to it's growth.
17. The formation of transition period in expiry of the preferential taxation.
18. The ensuring the strategic transition from land plots dispose to capital dispose through the accumulation of productive capital and its consolidation with financial capital at the ASED' stage of development.
19. The orientation of the ASED' projects may be not just for large enterprises but also for SME and startups.
20. The possible expansion of capital sources should be due to the exit of ASED' outside of the isolated territory.
21. The ensuring the complementarity for areas of advanced social and economic development.

Proposals' realization promotes to release the accumulated investment potential on the basis of ASED and improving the quality of foreign investment, providing a stimulating effect on the economy of Far East region. The implementation on the platform of ASED and FPV the nominated proposals contributes the formation of conditions for levelling general and efferent tendency in relation of national investment climate, hereupon may have the possibility of achieving the wave diffusion of investment.

The application of mentioned recommendations contributes to the Far East's areas of advanced social and economic development increasingly to integrate into the national economy and global markets.

Reference to the experience of China's economic-technological development areas, which are integrated into domestic economy, appears in this scientific issue constructive and reasonable from the position of the multipurpose approach.

The development of Russian-Chinese investment cooperation based on the dedicated mechanism allows ASED and ETDA to organize into a single complementary economic network system with the high level of communications in the conditions of transformation of the international economy.

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